

**CITY OF WESTMINSTER, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2006**

**Prepared by:**

**Department of Finance**

**Paul Espinoza**  
**Finance Director/City Treasurer**

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CITY OF WESTMINSTER

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December 1, 2006

To the Honorable Mayor, Members of the City Council and Citizens of the City of Westminster:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Westminster for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of Westminster. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Westminster has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Westminster's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Westminster's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Westminster's financial statements have been audited by Diehl Evans & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Westminster for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Westminster's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Westminster was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Westminster’s separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Westminster’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the City of Westminster**

The City of Westminster, incorporated in 1957, is located in the northeast corner of Orange County. The City of Westminster currently occupies a land area of 10.6 square miles and serves a population of 92,408.

The City of Westminster operates under the council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of the Mayor and four Council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, hiring the City Manager and appointing the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and for appointing the heads of the City departments. The City Council is elected, at large, on a non-partisan basis. The Mayor is elected, at large, to serve a two-year term. Council Members serve four-year staggered terms, with two Council Members elected every two years.

The City of Westminster provides a full range of services, including police, fire protection (as a contract member of the Orange County Fire Authority), water utility, street and infrastructure maintenance and construction, recreational and cultural services, planning and community development and general administration. The City of Westminster also is financially accountable for the legally separate Westminster Redevelopment Agency and the Westminster Financing Authority. The City has accounted for the Agency and Authority as “blended” component units and therefore they have been included as an integral part of the City of Westminster’s financial statements.



The annual budget serves as the foundation for the City of Westminster's financial planning and control. All departments of the City of Westminster are required to submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Westminster's fiscal year. The appropriated budget is prepared by fund (e.g., general), department (e.g., public works), and program (e.g., engineering). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments within the same fund require the City Manager's approval. Transfers between funds, however, require approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 85 as part of the required supplementary information portion of the basic financial statements for the governmental funds. For other funds with appropriated annual budgets, this comparison is presented beginning on page 86 of this report.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Westminster operates.

**Local Economy.** The City of Westminster continues to enjoy a healthy financial climate as a result of its central geographic location within West Orange County and its diversified commercial, retail and industrial base. For the last ten years, the City has seen an increase in sales tax also due to its economic diversity and a large number of small to medium-size businesses that generate consistent revenue in spite of area and statewide changes in the economy. The City continues to draw major new retail investors including the opening of a new retail center on the corner of Beach Boulevard and Westminster Boulevard with a Starbucks, Subway, Coldstone Ice Cream and Walgreen's Pharmacy. Housing developers are attracted to Westminster as well because of its excellent location, mild weather, quality schools, wide variety of shopping experiences and easy access to all of Orange County and surrounding areas.

**State Budget.** Sales tax revenue has continued to be impacted due to the approval of Proposition 57 and the "triple flip". The City receives a "sales tax in-lieu" payment, for the City's share of local sales tax dollars to the State on a dollar-per-dollar basis. The impact to the City has been a cash flow issue because of how the "sales-tax-in-lieu" has been paid. The "sales-tax-in-lieu" is paid on the same schedule as property tax with the majority paid in January and May, rather than on a monthly basis. Sales tax revenue accounts for 24% of the City's total General Fund Revenues.

**Cash Management.** Cash temporarily idle during the year was invested in instruments permitted under Section 53600 of the California Government Code and the City's adopted investment policy. Permitted investments include demand deposits, certificates of deposit, obligations of the U.S. Treasury and agencies, as well as high-grade commercial paper and banker's acceptances. Average yield for investments was 3.92% for fiscal year 2006.

**Risk Management.** The City maintains self-insurance programs for workers' compensation and general liability as part of its comprehensive risk management program. The city is self-insured for worker's compensation up to \$275,000 per person per occurrence. General liability self-insurance is limited to the first \$350,000 of liability per occurrence. Excess coverage is maintained through the California Insurance Pool Authority (CIPA), a consortium of eleven cities in California organized to pool resources and share risks, as well as the costs of professional risk management and claims administration. Excess coverage is maintained in the amounts of \$5,000,000 and \$20,000,000 annual aggregate for worker's compensation and general liability, respectively. The City has accrued a liability for all known general and workers' compensation claims as of June 30, 2006. In addition, estimated amounts for claims incurred, but not yet reported, have also been accrued.

**Pension and Other Postemployment Benefits.** The City of Westminster is a member of the California Public Employees Retirement System (CalPERS). CalPERS sets the contribution rates for the City's represented and non-represented employee groups. Participants are required to contribute 7%-9% of their annual covered salary. The City makes contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. As a result of continued CalPERS investment losses and previously approved enhancements to the benefit plans, the City anticipates significant increases to the employer contribution rate in the next fiscal year.

The City of Westminster also provides postretirement health, dental and life benefits for retirees. As of the end of the current fiscal year, there were 217 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Westminster's pension arrangements and postemployment benefits can be found in Notes 11 and 12 in the notes to the financial statements.

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Westminster for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the eleventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

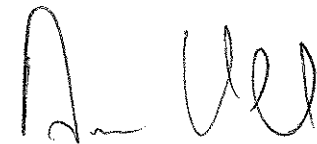
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City was also awarded the Certificate of Award for Outstanding Financial reporting by the California Society of Municipal Finance Officers (CSMFO).

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 30, 2005. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of a number of City staff and departments, especially the Finance Department. We would like to express our appreciation to all members of the City staff who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the Council Members for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Westminster's finances.

Respectfully submitted,



Andrew E. Hall  
Interim City Manager



Paul Espinoza  
Finance Director

## **CITY OF WESTMINSTER**

### **Principal Officials**

### **CITY COUNCIL**

MARGIE L. RICE, Mayor

FRANK G. FRY, Mayor Pro Tem

KERMIT D. MARSH, Council Member

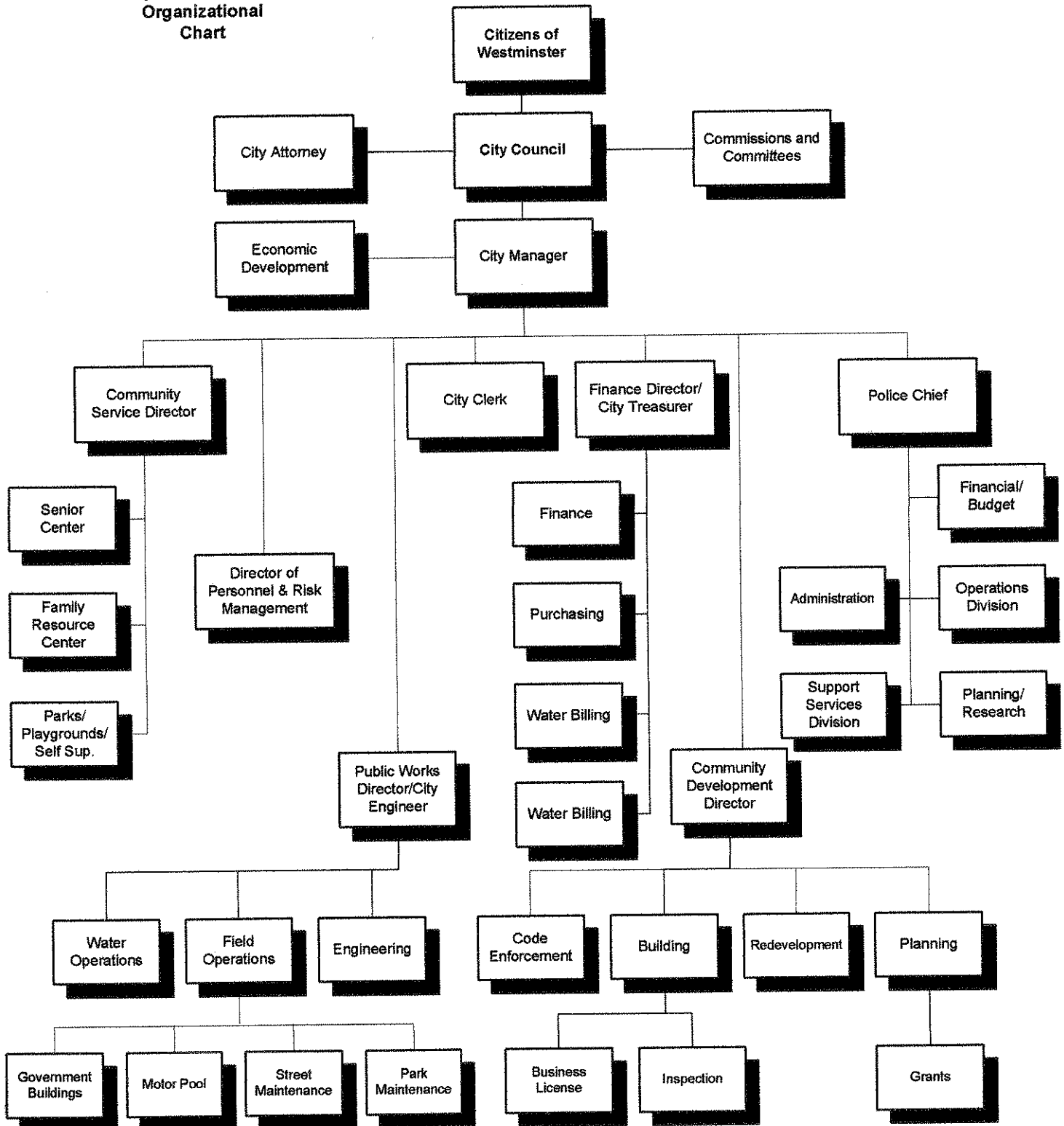
ANDY QUACH, Council Member

### **CITY STAFF**

Andrew Hall	Interim City Manager
Richard D. Jones	City Attorney
Don Anderson	Community Development Director
Mitch Waller	Acting Police Chief
Marwan Youssef	Public Works Director/City Engineer
Marian Contreras	City Clerk
Paul Espinoza	Finance Director/City Treasurer
Pat Corcoran	Director of Personnel & Risk Management
Greg Johnson	Community Services Director
Tami Piscotty	Assistant to the City Manager



**City of Westminster  
Organizational  
Chart**



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Westminster,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# California Society of Municipal Finance Officers

Certificate of Award

*Outstanding Financial Reporting 2004-05*

Presented to the

*City of Westminster*

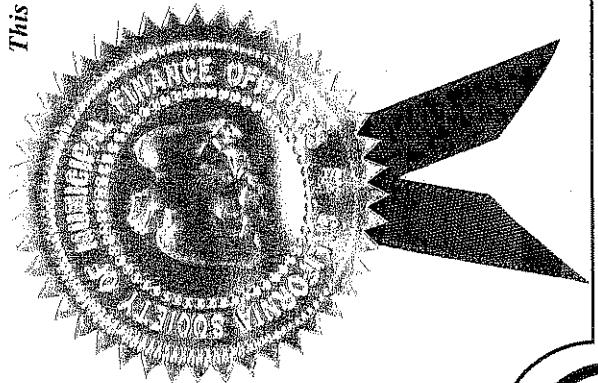
*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2006*

*William A. Stand*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



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**CITY OF WESTMINSTER**

Comprehensive Annual Financial Report

June 30, 2006

Financial Section

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**DIEHL, EVANS & COMPANY, LLP**  
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\*A PROFESSIONAL CORPORATION

September 15, 2006

**INDEPENDENT AUDITORS' REPORT**

City Council Members  
City of Westminster  
Westminster, California

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westminster's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2006 on our consideration of the City of Westminster's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and express no opinion on it. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westminster's basic financial statements. The introductory section, supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Westminster (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006, along with comparisons to the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities by \$231.3 million (net assets) as of June 30, 2006. Of this amount, \$67.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$11.5 million. This is mostly due to revenue increases of \$10.0 million in property taxes (provided from the Infrastructure Revitalization Project (IRP) initiated in fiscal year 2002), \$1.1 million in operating grants and contributions, \$733 thousand in interest earnings (due to increased cash flow, and rising interest rates) and, \$562 thousand in sales tax revenue. Capital grants and contributions decreased by \$1.4 million, and other revenue types had small increases or decreases. Overall expenses increased. Public Works increased by \$1.2 million and Community Development increased by \$8.1 million. The majority of these increases are expenditures in City Capital Projects using IRP funds. Overall, revenues continue to exceed costs.
- As of June 30, 2006 the City's governmental funds reported a combined ending fund balance of \$96.0 million, an increase of \$2.7 million. \$68.1 million is unreserved and is available for spending at the City's discretion.
- Unreserved fund balance for the General Fund was \$24.8 million, or 64 percent of total General Fund expenditures.
- Total City debt (excluding compensated absences and claims liabilities) decreased by \$4.9 million (8.4 percent decrease). Changes in debt consisted of \$5.0 million in principal reductions payments and \$40,596 in amortized bond costs.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

See accompanying independent auditor's report.

## **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid (e.g., uncollected taxes or earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City and the Westminster Redevelopment Agency, a blended component unit, include general government, public safety, community development, community services and public works. A business-type activity of the City includes the water utility. The government-wide financial statements can be found on pages 21 - 23 of this report.

## **Fund financial statements**

Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

See accompanying independent auditor's report.

The City maintains several individual governmental funds organized by their type (special revenue, debt service and capital projects funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Community Promotion, Housing and Community Development, Special Gas Tax and Street Improvements, Westminster Redevelopment Agency Debt Service, Westminster Redevelopment Agency Capital Projects, and Capital Projects funds, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the other governmental funds is provided in the form of combining statements beginning on page 91 of this report.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget. These statements begin on page 85 of this report.

The basic governmental fund financial statements can be found on pages 24 - 30 of this report.

**Proprietary funds** are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the operations of water.
- **Internal service funds** are used to report activities that provide internal services for the City. The City uses internal service funds to account for its equipment replacement, general benefits, liability administration, information systems and equipment, and government buildings. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements beginning on page 106 of this report.

The basic proprietary fund financial statements can be found on pages 31 - 35 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The basic fiduciary fund financial statements can be found on page 36 of this report.

#### **Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37 - 83 of this report.

See accompanying independent auditor's report.

## Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its hourly employees. Required supplementary information can be found on pages 85 - 89 of this report.

Combining statements for non-major governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information, and can be found on pages 91 - 116 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. City assets exceeded liabilities by \$231.3 million at June 30, 2006. This is an increase of \$11.5 million as summarized below and on the following pages:

### Statement of Net Assets\*

	Governmental Activities			
	June 30, 2006	June 30, 2005	Increase/ (Decrease) From 2005	Percent Increase/ (Decrease)
Assets:				
Current and other assets	\$ 129,218,859	\$ 124,786,373	\$ 4,432,486	3.55%
Capital assets, net of accumulated depreciation	134,736,716	128,772,721	5,963,995	4.63%
Total assets	263,955,575	253,559,094	10,396,481	4.10%
Liabilities:				
Current and other liabilities	24,119,421	21,164,201	2,955,220	13.96%
Long-term liabilities	43,043,544	47,686,836	(4,643,292)	-9.74%
Total liabilities	67,162,965	68,851,037	(1,688,072)	-2.45%
Net assets:				
Invested in capital assets, net of related debt	89,013,498	81,634,029	7,379,469	9.04%
Restricted	42,028,361	40,578,288	1,450,073	3.57%
Unrestricted	65,750,751	62,495,740	3,255,011	5.21%
Total net assets	\$ 196,792,610	\$ 184,708,057	\$ 12,084,553	6.54%

\* A more detailed statement of net assets is shown on page 21 of this report.

See accompanying independent auditor's report.



**Governmental activities** had the greatest changes occur in “Current and other liabilities”, and “Invested in capital assets, net of related debt”. The majority of change in “Current and other liabilities” is due to an increase of \$1.9 million in “Due to other governments”. The Westminster Redevelopment Agency has agreements with various entities to “pass-through” portions of tax increments received to entities which are located within the Agency’s project area. As tax increment continues to grow (up \$10.0 million in fiscal year 2006), these liabilities are also subject to increases.

With the increase of capital assets, and the decrease of long-term debt, the net assets category “Invested in capital assets, net of related debt” has resulted in an increase. During the year, the City completed and capitalized the Westminster Rose Center. Approximately \$10 million of this cost was in “Construction in progress” in prior year. In addition, the City completed the capitalization of the storm drain infrastructure as part of Governmental Accounting Standards Board Statement No. 34. This increased “Infrastructure” assets by \$11.8 million. This resulted in a restatement of prior year’s beginning balance, which is discussed in Note 18 of the financial statements.

Statement of Net Assets\*

	Business-type Activity			
	June 30, 2006	June 30, 2005	Increase/ (Decrease) From 2005	Percent Increase/ (Decrease)
<b>Assets:</b>				
Current and other assets	\$ 3,696,896	\$ 4,546,042	\$ (849,146)	-18.68%
Capital assets, net of accumulated depreciation	39,647,856	39,910,884	(263,028)	-0.66%
Total assets	43,344,752	44,456,926	(1,112,174)	-2.50%
<b>Liabilities:</b>				
Current and other liabilities	1,631,996	1,711,376	(79,380)	-4.64%
Long-term liabilities	7,252,000	7,672,810	(420,810)	-5.48%
Total liabilities	8,883,996	9,384,186	(500,190)	-5.33%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	31,958,977	31,817,042	141,935	0.45%
Restricted	367,947	361,722	6,225	1.72%
Unrestricted	2,133,832	2,893,976	(760,144)	-26.27%
Total net assets	\$ 34,460,756	\$ 35,072,740	\$ (611,984)	-1.74%

\* A more detailed statement of net assets is shown on page 21 of this report.

**Business-type activity** remained fairly static for fiscal years 2005 and 2006. The majority of the decrease in “Current and other assets” is due to a decrease in “Cash and investments” of \$1.2 million. The “Unrestricted net assets” decreased due to net loss of \$710,411 for fiscal year 2006. In an era of increasing costs, the City is making a great effort to maintain customer services while keeping water rate increases to a minimum.

See accompanying independent auditor’s report.

Statement of Net Assets\*

	Primary Government			
	June 30, 2006	June 30, 2005	Increase/ (Decrease) From 2005	Percent Increase/ (Decrease)
Assets:				
Current and other assets	\$ 132,915,755	\$ 129,332,415	\$ 3,583,340	2.77%
Capital assets, net of accumulated depreciation	174,384,572	168,683,605	5,700,967	3.38%
Total assets	307,300,327	298,016,020	9,284,307	3.12%
Liabilities:				
Current and other liabilities	25,751,417	22,875,577	2,875,840	12.57%
Long-term liabilities	50,295,544	55,359,646	(5,064,102)	-9.15%
Total liabilities	76,046,961	78,235,223	(2,188,262)	-2.80%
Net assets:				
Invested in capital assets, net of related debt	120,972,475	113,451,071	7,521,404	6.63%
Restricted	42,396,308	40,940,010	1,456,298	3.56%
Unrestricted	67,884,583	65,389,716	2,494,867	3.82%
Total net assets	\$ 231,253,366	\$ 219,780,797	\$ 11,472,569	5.22%

\* A more detailed statement of net assets is shown on page 21 of this report.

The largest portion (52.3 percent) of the City's net assets reflects its investment of \$121.0 million in capital assets (land, buildings and improvements, equipment, infrastructure, and construction in progress, net of accumulated depreciation); less any related outstanding debt used to acquire those assets. This is an overall increase of \$7.5 million, or 6.6 percent from the prior year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets (\$42.4 million or 18.3 percent) represents resources that are subject to external restrictions on how they may be used. This is a \$1.5 million, or 3.6 percent increase from the prior year. The City's unrestricted net assets of \$67.9 million increased \$2.5 million or 3.8 percent from the prior year. These funds may be used to meet the government's ongoing obligations to citizens, creditors, and City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

At the end of fiscal year 2006, the City shows positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities and business-type activity.

See accompanying independent auditor's report.

## Statement of Activities

The statement of activities shows how the government's net assets changed during fiscal year 2006. The City's net assets increased overall by \$12.1 million as summarized on the following pages:

### Statement of Activities\*

	Governmental Activities			
	For the year ended		Increase/ (Decrease)	Percent Increase/ (Decrease)
	June 30, 2006	June 30, 2005		
Revenues:				
Program revenues:				
Charges for services	\$8,024,616	\$8,544,716	\$ (520,100)	-6.09%
Operating grants and contributions	6,705,228	5,564,678	1,140,550	20.50%
Capital grants and contributions	442,300	1,845,256	(1,402,956)	-76.03%
General revenues:				
Taxes	61,540,382	55,787,375	5,753,007	10.31%
Unrestricted investment earnings	2,875,268	2,142,307	732,961	34.21%
Total Revenues	<u>79,587,794</u>	<u>73,884,332</u>	<u>5,703,462</u>	<u>7.72%</u>
Expenses:				
General government	6,228,357	6,015,172	213,185	3.54%
Public safety	31,688,177	30,959,971	728,206	2.35%
Public works	8,622,725	7,382,183	1,240,542	16.80%
Community development	16,180,252	8,075,648	8,104,604	100.36%
Community services	2,122,936	1,894,745	228,191	12.04%
Interest on long term debt	2,374,796	2,498,057	(123,261)	-4.93%
Total Expenses	<u>67,217,243</u>	<u>56,825,776</u>	<u>10,391,467</u>	<u>18.29%</u>
Increase in net assets before				
Transfers	12,370,551	17,058,556	(4,688,005)	-27.48%
Transfers	<u>(285,998)</u>	<u>(669,004)</u>	<u>383,006</u>	<u>57.25%</u>
Increase in net assets	12,084,553	16,389,552	(4,304,999)	-26.27%
Net assets - Beginning of Year	<u>184,708,057</u>	<u>168,318,505</u>	<u>16,389,552</u>	<u>9.74%</u>
Net assets - End of Year	<u>\$196,792,610</u>	<u>\$184,708,057</u>	<u>\$ 12,084,553</u>	<u>6.54%</u>

\* A more detailed statement of activities is shown on pages 22 - 23 of this report

See accompanying independent auditor's report.

**Governmental activities** increased the City's net assets by \$12.1 million, thereby accounting for 105.3 percent of the total growth in City net assets. Public safety remains the largest expense function (47.1 percent), followed by community development (24.1 percent), public works (12.8 percent), general government (9.3 percent), interest on long-term debt (3.5 percent) and community services (3.2 percent). General revenues such as property and sales tax are not shown by program, but are effectively used to support program activities citywide.

Operating expenses were impacted by contractually obligated salary and benefit increases. The most significant impacts to the operating costs of the City are the result of a continuing increase in the PERS employer rate for retirement costs and the contractually obligated medical costs. Overall, salaries and benefits increased \$1.7 million or 5.0 percent.

Capital project costs increased \$6.7 million or 390%. The majority of the capital projects were provided funding through the Infrastructure Revitalization Project (IRP). These funds are used to provide repairs for residential street and right-of-ways, some water system improvements, as well as a portion to the Westminster Rose Center.

"Operating grants and contributions" increased \$1.1 million (20.5 percent). Of this increase, \$1.3 million was drawn-down on federal grant money issued through the Department of Housing and Urban Development (HUD), and recorded in the Housing and Community Development fund. The grants in this fund are used for the development of a viable community by providing decent housing, suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

"Capital grants and contributions" decreased \$1.4 million (76.0 percent). In prior year, public works completed several projects, and were able to draw-down funding. This revenue source will vary from year to year, depending on the completion dates of grant funding projects.

"Taxes" have continued to grow, while trends continue to show most revenues decreasing. Property taxes provided the City with an additional \$10.0 million during the current fiscal year. This increase should be considered with a \$5.1 million decrease in motor vehicle taxes. The State of California's 2004-05 Budget reallocated property taxes for Vehicle License Fees (VLF). Thus, instead of receiving VLF (or intergovernmental revenue), the City now receives additional property taxes in an equal amount. The remaining property tax increase is attributable to IRP funds which continue to grow.

"Unrestricted investment earnings" increased slightly as interest rates have continued an upward trend.

Statement of Activities\*

	Business-type Activity			
	For the year ended		Increase/ (Decrease)	Percent Increase/ (Decrease)
	June 30, 2006	June 30, 2005		
Revenues:				
Program revenues:				
Charges for services	\$ 10,091,120	\$ 10,329,216	\$ (238,096)	-2.31%
General revenues:				
Unrestricted investment earnings	168,027	195,651	(27,624)	-14.12%
Miscellaneous	(11,590)	601	(12,191)	-2,028.45%
Total Revenues	<u>10,247,557</u>	<u>10,525,468</u>	<u>(277,911)</u>	-2.64%
Expenses:				
Water enterprise	<u>11,145,539</u>	<u>10,675,044</u>	<u>470,495</u>	4.41%
Total Expenses	<u>11,145,539</u>	<u>10,675,044</u>	<u>470,495</u>	4.41%
Decrease in net assets before				
Transfers	(897,982)	(149,576)	(748,406)	-500.35%
Transfers	<u>285,998</u>	<u>669,004</u>	<u>(383,006)</u>	-57.25%
Increase in net assets	(611,984)	519,428	(1,131,412)	-217.82%
Net assets - Beginning of Year	<u>35,072,740</u>	<u>34,553,312</u>	<u>519,428</u>	1.50%
Net assets - End of Year	<u>\$ 34,460,756</u>	<u>\$ 35,072,740</u>	<u>\$ (611,984)</u>	-1.74%

\* A more detailed statement of activities is shown on pages 22 - 23 of this report.

**Business-type activities** decreased the City's net assets by \$612.0 thousand. The Water Utility Fund had a static year with revenue of \$10.2 million and operating expenses of \$11.1 million. For the water utility, fees provide the largest share of revenues (98.4 percent).

The Water Utility's operating expenses continued to increase slightly. This is mostly due to an increase in purchased water, as well as salary and benefits, which increased due to rising PERS retirement and medical costs.

See accompanying independent auditor's report.

Statement of Activities\*

	Primary Government			
	For the year ended		Increase/ (Decrease)	Percent Increase/ (Decrease)
	June 30, 2006	June 30, 2005		
Revenues:				
Program revenues:				
Charges for services	\$ 18,115,736	\$ 18,873,932	\$ (758,196)	-4.02%
Operating grants and contributions	6,705,228	5,564,678	1,140,550	20.50%
Capital grants and contributions	442,300	1,845,256	(1,402,956)	-76.03%
General revenues:				
Taxes	61,540,382	55,787,375	5,753,007	10.31%
Unrestricted investment earnings	3,043,295	2,337,958	705,337	30.17%
Miscellaneous	(11,590)	601	(12,191)	2,028.45%
Total Revenues	<u>89,835,351</u>	<u>84,409,800</u>	<u>5,425,551</u>	6.43%
Expenses:				
General government	6,228,357	6,015,172	213,185	3.54%
Public safety	31,688,177	30,959,971	728,206	2.35%
Public works	8,622,725	7,382,183	1,240,542	16.80%
Community development	16,180,252	8,075,648	8,104,604	100.36%
Community services	2,122,936	1,894,745	228,191	12.04%
Interest on long term debt	2,374,796	2,498,057	(123,261)	-4.93%
Water enterprise	11,145,539	10,675,044	470,495	4.41%
Total Expenses	<u>78,362,782</u>	<u>67,500,820</u>	<u>10,861,962</u>	16.09%
Increase in net assets	11,472,569	16,908,980	(5,436,411)	-32.15%
Net assets - Beginning of Year	<u>219,780,797</u>	<u>202,871,817</u>	<u>16,908,980</u>	8.33%
Net assets - End of Year	<u>\$231,253,366</u>	<u>\$219,780,797</u>	<u>\$11,472,569</u>	5.22%

\* A more detailed statement of activities is shown on pages 22 - 23 of this report.

See accompanying independent auditor's report.

## FINANCIAL ANALYSIS OF CITY FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Overall, the City had an increase of \$1.48 million to fund balances.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Refer to pages 24 - 30 of this report for more detail on governmental funds.

As of June 30, 2006, the City's governmental funds reported combined ending fund balances of \$96.0 million, an increase of \$2.7 million in comparison with the prior year. Of the \$96.0 million, \$68.2 million, or 71.0 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to pay debt service of \$14.3 million, (2) to pay notes/loans and interfund receivables of \$8.0 million, (3) for a variety of other restricted purposes of \$4.8 million, or (4) to land held for resale of \$724 thousand.

The General Fund is the chief operating fund of the City. As of June 30, 2006, unreserved fund balance was \$24.8 million, while total fund balance reached \$25.9 million. Note that unreserved fund balance includes amounts set-aside for City designations such as City's reserve policy, post-employment retirement medical benefits and legal contingencies. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, which includes designated funds, represents 64 percent of total General Fund expenditures, while total fund balance represents 66 percent of that same amount.

The major factors in fund balance changes are as follows:

### Governmental Funds

- The **General Fund** recognized a \$3.9 million increase due to revenues greater than expenditures of \$4.9 million. Revenues and expenditures were fairly static during the fiscal years 2005 and 2006. "Excess of Revenues Over (Under) Expenditures" decreased by \$72 thousand (1.4 percent) in 2005-06. The General Fund came in under budget by \$2.1 million this year, and as a result a "Transfer Out" of \$2.5 million was sent to the Capital Projects Fund to cover future projects.
- The **Community Promotion Fund** recognized an increase of \$83 thousand due to revenues greater than expenditures of \$212 thousand. This excess was reduced by "Transfers Out" to the Capital Project Fund to cover current and future projects, and exceeded "Transfers In" by \$129 thousand.
- The **Housing and Community Development Fund** recognized a \$278 thousand increase due to revenues greater than expenditures of \$975 thousand. This is a grant program which is reimbursed periodically throughout the year. "Transfers In" and "Transfers Out" are mainly related to capital projects. As capital projects are approved, funds are transferred to the Capital Projects Fund. As projects close, excess funds are transferred back for reallocation.

See accompanying independent auditor's report.

- The **Special Gas Tax and Street Improvements Fund** recognized a \$3.4 million decrease due, in part, to a \$5.3 million transfer to the Capital Projects Fund to cover current and future projects. This is grant funded and many of the projects are reimbursable only upon completion.
- The **Debt Service Fund** recognized a \$3.1 million increase due to revenues greater than expenditures of \$9 million. The IRP property taxes accounted for an increase of \$3.9 million. A transfer out of \$6.4 million was made to the Redevelopment Projects Fund to cover administrative charges.
- The **Capital Projects Funds** recognized a combined decrease in fund balance of \$2.9 million. This is due to the completion of various projects throughout the City, including the Westminster Rose Center.
- **Other Governmental Funds**, which are non-major funds, recognized a combined increase of \$1.6 million due to revenues greater than expenditures of \$5.5 million. These funds are further detailed beginning on page 92 of this report.

#### **Proprietary Funds**

- The **Enterprise Water Fund** recognized a decrease of \$710 thousand during the fiscal year 2005-06 due to expenditures exceeding revenues by \$996 thousand and “Transfers In” exceeding “Transfers Out” by \$286 thousand.
- The **Internal Service Funds** recognized a \$526 thousand decrease in fund balance due to revenues exceeding expenses by \$984 thousand and “Transfers Out” exceeding “Transfers In” by \$1.5 million. These funds finance and account for goods and services provided by one City department to other City departments, or to other governments, on a cost-reimbursement basis. The City has four internal service funds. These funds are further detailed beginning on page 106 of this report.

See accompanying independent auditor’s report.



## CASH MANAGEMENT

The City follows the practice of pooling cash and investments of all funds except for amounts with fiscal agents, and legally restricted funds. Additional information can be found in Note 2 in the notes to the basic financial statements.

The 2006 fiscal year ended with the eleventh consecutive increase in the City's average portfolio balance. Average total cash and investment balances for the past ten years are noted below:

<u>Fiscal Year</u>	<u>Average Balance (in millions)</u>	<u>% Change</u>
1997	\$ 15.8	---
1998	29.8	88.6 %
1999	38.7	29.9 %
2000	49.0	26.6 %
2001	57.3	16.9 %
2002	62.1	8.4 %
2003	70.3	13.2 %
2004	83.4	18.6 %
2005	92.5	10.9 %
2006	97.6	5.5 %

Since 1997, the City's portfolio balance has increased by \$81.8 million, or 518%.

## BUDGETARY HIGHLIGHTS

The General Fund reflected a net total budget variance of \$7.87 million when comparing actual amounts to the final budget for the current fiscal year. When preparing its budget, the City attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations in a prudent manner. In comparing the 2005-06 General Fund's original (adopted) budget revenue amount of \$38.08 million to the final budget expenditure amount of \$38.13 million shows a net \$51 thousand increase. In addition, the ending actual revenue shows a positive variance of \$5.80 million, with the largest variance in "taxes" at \$5.08 million.

Comparing the 2005-06 General Fund's original (adopted) budget expenditure amount of \$41.56 million to the final budget expenditure amount of \$41.12 million shows a net \$440 thousand decrease. In addition, the ending actual expenditure savings were \$2.11 million. The majority of this savings is in "Public Safety", at \$1.15 million.

During the year, the City Council directed the staff to prepare a spending reduction plan that included position reclassifications, reductions in supplies, training and meetings, and various other expenses.

See accompanying independent auditor's report.

Controlling employee growth has been a key to cost controls. The City continues to provide full services at ratios equal to or exceeding other "full service" cities while maintaining ratios for cost and employee per capita that are substantially below that of comparable cities.

	<u>City</u>	<u>County Average</u>
Employees per capita (1,000)	3.08	4.48
General Fund costs per capita	\$ 437	\$ 647

The City continues to dedicate itself to cost-effective service, without sacrificing the quality of service levels so important to the overall quality of life, health and safety of the community. The General Fund budget to actual report can be found on page 85 of this report.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets:

Capital investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounted to \$174.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress. The total increase in capital assets for fiscal year 2006 was \$5.7 million or 3.4 percent, which represents a 4.6 percent increase for governmental activities and a .7 percent decrease for business-type activity.

Additional information on the City's capital assets can be found in Note 6 in the notes to the basic financial statements. Capital assets (net of accumulated depreciation) at June 30, 2006 and June 30, 2005 are summarized below and on the following page:

### Capital Assets (net of accumulated depreciation)

	<u>June 30, 2006</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activity</u>	<u>Total</u>
Land	\$ 4,040,528	\$ 2,494,846	\$ 6,535,374
Construction in progress	471,287	1,448,714	1,920,001
Buildings	25,458,881	122,294	25,581,175
Improvements other than buildings	3,163,660	11,538,982	14,702,642
Water distribution lines	-	18,879,347	18,879,347
Vehicles, machinery and equipment	3,650,822	5,125,651	8,776,473
Office furniture and equipment	1,672,966	38,022	1,710,988
Leased property	102,145	-	102,145
Infrastructure	96,176,427	-	96,176,427
Total capital assets, net	<u>\$ 134,736,716</u>	<u>\$ 39,647,856</u>	<u>\$ 174,384,572</u>

See accompanying independent auditor's report.

Capital Assets (net of accumulated depreciation)

	June 30, 2005		
	Governmental	Business-type	
	Activities	Activity	Total
Land	\$ 4,151,928	\$ 2,015,496	\$ 6,167,424
Construction in progress	11,052,156	12,626,338	23,678,494
Buildings	7,009,894	-	7,009,894
Improvements other than buildings	2,292,971	25,637	2,318,608
Water distribution lines	-	19,511,641	19,511,641
Vehicles, machinery and equipment	2,342,500	5,673,952	8,016,452
Office furniture and equipment	1,814,672	57,820	1,872,492
Leased property	200,450	-	200,450
Infrastructure	99,908,150	-	99,908,150
Total capital assets, net	<u>\$ 128,772,721</u>	<u>\$ 39,910,884</u>	<u>\$ 168,683,605</u>

Major capital asset events during fiscal year 2006 included the following:

- Completion of the Westminster Rose Center at \$19.1 million. Of this total, approximately \$10 million of this was in "Construction in Progress" in prior year.
- The City added \$12.7 million in infrastructure. Of this total, \$11.8 million was recorded as a prior period adjustment to include storm drain infrastructure which were not included in capital assets on the initial implementation of Government Accounting Standards Board Statement No. 34. See note 18 for additional information.
- The City's water tanks which were in "Construction in Progress" in prior year were capitalized at a cost of \$11.8 million.

See accompanying independent auditor's report.

**Long-term debt:**

At the end of fiscal year 2006, the City had total debt (excluding compensated absences and claims liabilities) outstanding of \$53.4 million. Additional information can be found on Note 7 in the notes to the basic financial statements. Long-term debt for June 30, 2006 and June 30, 2005 are summarized below:

Outstanding Debt

	June 30, 2006		
	Governmental Activities	Business-type Activity	Total
Tax allocation bonds payable	\$36,925,000	\$ -	\$36,925,000
Certificates of participation	8,498,219	3,802,154	12,300,373
Loans payable	300,000	3,886,724	4,186,724
Total outstanding debt	<u>\$45,723,219</u>	<u>\$ 7,688,878</u>	<u>\$53,412,097</u>

Outstanding Debt

	June 30, 2005		
	Governmental Activities	Business-type Activity	Total
Tax allocation bonds payable	\$40,805,000	\$ -	\$40,805,000
Certificates of participation	9,133,691	3,936,086	13,069,777
Loans payable	300,000	4,157,757	4,457,757
Total outstanding debt	<u>\$50,238,691</u>	<u>\$ 8,093,843</u>	<u>\$58,332,534</u>

The City's total debt decreased by \$4.9 million or 8.4 percent, during fiscal year 2006. The change in debt consisted of ongoing debt services payments.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City budget for fiscal year 2006-07 is balanced as to revenue and expenditures with out the need to dip into reserves or raise taxes. Modest service level increases as well as capital spending maintain balance in meeting community needs. The City made great strides in balancing current expenditures with prudent reserves to meet future needs by authorizing "contingency", "emergency", and "designated" reserves for all operating funds.

The City will also maintain its "reestablished" equipment and repair programs. Lost to the budget cuts of the early and middle 1990's, the City has restored and refunded the vehicle replacement programs, as well as created modest maintenance and replacement programs in building maintenance and information systems. These programs will help protect the City's operating efficiency.

See accompanying independent auditor's report.

The City continues to strive to provide the highest quality of services by taking into consideration the concerns and interests of the past year, and integrating these into a vision dedicated to meeting the needs of our citizens. This is accomplished by making fiscally responsible decisions (structuring a solid forecasting model) that will ultimately strengthen the organization, and improve the financial integrity of the City.

### **Future Issues**

There are a number of future issues that are cause for serious concern. These concerns include:

- **Revenue Stability**

Sales taxes are at record high levels and three major revenue sources are prone to Proposition 218 initiatives. As such, the City needs a strong economy and voter cooperation to maintain existing revenue levels.

- **State Actions**

The proposals in the governor's 2005-06 proposed budget honored the will of the voters who passed Proposition 1A with an overwhelming 84% vote, and largely honored the spirit of the agreement he struck with local government last summer. Local officials appreciate that commitment.

It is also helpful to note that with the passing of Proposition 1A the State may *borrow*, but not permanently take local government revenues in the event of a fiscal emergency. This will help to restore predictability and certainty to the funding needed for police, fire and other essential local services.

The Utility Users Tax has shown to be a strong component of General Fund Revenues due to business expansion and continued growth in telephone usage for both residential and business users. It is important to note, however, that proposed State and Federal legislation related to Utility Users Taxes may threaten this revenue stream to the City. As internet technology advances, combining phone and video services, the City is concerned about the potential for regulatory changes that will restrict the ability to protect the "time, manner and place" of the use of public rights-of-way, as well as their ability to charge fees and taxes to pay for related local services. It is crucial for any pending legislation not to impact the City negatively as Utility Users Tax is the third largest revenue source for the General Fund.

- **Infrastructure Maintenance**

The City continues to work on improving the maintenance levels and potential costs in both streets and the water system. Even with increased spending toward street maintenance within the last year, the need will continue to exist for the near future. Maintaining City streets and keeping the water systems functional will continue to require resources.

See accompanying independent auditor's report.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of City finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, City of Westminster, 8200 Westminster Boulevard, City of Westminster, California 92683, or call (714) 898-3311.

## CITY OF WESTMINSTER

## STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activity	Total
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$ 71,069,022	\$ 2,507,450	\$ 73,576,472
Receivables, net of allowances (Note 4)	15,669,073	1,584,409	17,253,482
Deposits	45,300	-	45,300
Prepaid items	34,651	-	34,651
Internal balances	1,077,498	(1,077,498)	-
Inventory	39,748	119,516	159,264
Deferred charges	152,636	195,072	347,708
Land held for resale (Note 5)	723,950	-	723,950
Restricted assets:			
Cash and investments (Note 2)	25,141,106	-	25,141,106
Cash and investments with fiscal agents (Note 2)	15,265,875	367,947	15,633,822
Capital assets (net of accumulated depreciation) (Note 6):			
Land	4,040,528	2,494,846	6,535,374
Construction in progress	471,287	1,448,714	1,920,001
Buildings	25,458,881	122,294	25,581,175
Improvements other than buildings	3,163,660	11,538,982	14,702,642
Water distribution lines	-	18,879,347	18,879,347
Vehicles, machinery and equipment	3,650,822	5,125,651	8,776,473
Office furniture and equipment	1,672,966	38,022	1,710,988
Leased property	102,145	-	102,145
Infrastructure	96,176,427	-	96,176,427
<b>TOTAL ASSETS</b>	<b>263,955,575</b>	<b>43,344,752</b>	<b>307,300,327</b>
<b>LIABILITIES:</b>			
Accounts payable and other liabilities	5,740,664	1,076,313	6,816,977
Due to other governments	7,416,700	-	7,416,700
Unearned revenue	3,374,924	-	3,374,924
Deposits	718,119	18,000	736,119
Long-term liabilities:			
Due within one year (Note 7)	6,869,014	537,683	7,406,697
Due in more than one year (Note 7)	43,043,544	7,252,000	50,295,544
<b>TOTAL LIABILITIES</b>	<b>67,162,965</b>	<b>8,883,996</b>	<b>76,046,961</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	89,013,498	31,958,977	120,972,475
Restricted for:			
Community development	29,517,126	-	29,517,126
Public safety	485,554	-	485,554
Public works	(961,383)	-	(961,383)
Debt service	12,987,064	367,947	13,355,011
Unrestricted	65,750,751	2,133,832	67,884,583
<b>TOTAL NET ASSETS</b>	<b>\$ 196,792,610</b>	<b>\$ 34,460,756</b>	<b>\$ 231,253,366</b>

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 6,228,357	\$ 1,633,260	\$ 124,513	\$ -
Public safety	31,688,177	3,305,174	308,222	-
Public works	8,622,725	837,055	15,513	74,208
Community development	16,180,252	1,954,382	6,051,411	368,092
Community services	2,122,936	294,745	205,569	-
Interest on long term debt	2,374,796	-	-	-
Total governmental activities	67,217,243	8,024,616	6,705,228	442,300
<b>Business-type activity:</b>				
Water enterprise	11,145,539	10,091,120	-	-
Total	\$ 78,362,782	\$ 18,115,736	\$ 6,705,228	\$ 442,300

General revenues:

Unrestricted taxes:

Sales taxes

Property taxes, levied for general purposes

Utility users taxes

Business operation taxes

Franchise taxes

Transient occupancy taxes

Intergovernmental revenue - Motor vehicle taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning of Year, as restated (Note 18)

Net assets - End of Year

See accompanying independent auditors' report and notes to basic financial statements.



Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (4,470,584)	\$ -	\$ (4,470,584)
(28,074,781)	-	(28,074,781)
(7,695,949)	-	(7,695,949)
(7,806,367)	-	(7,806,367)
(1,622,622)	-	(1,622,622)
(2,374,796)	-	(2,374,796)
<u>(52,045,099)</u>	<u>-</u>	<u>(52,045,099)</u>
<u>-</u>	<u>(1,054,419)</u>	<u>(1,054,419)</u>
<u>(52,045,099)</u>	<u>(1,054,419)</u>	<u>(53,099,518)</u>
17,407,934	-	17,407,934
35,816,370	-	35,816,370
5,203,530	-	5,203,530
1,166,298	-	1,166,298
1,165,666	-	1,165,666
537,867	-	537,867
242,717	-	242,717
2,875,268	168,027	3,043,295
-	(11,590)	(11,590)
<u>(285,998)</u>	<u>285,998</u>	<u>-</u>
<u>64,129,652</u>	<u>442,435</u>	<u>64,572,087</u>
12,084,553	(611,984)	11,472,569
<u>184,708,057</u>	<u>35,072,740</u>	<u>219,780,797</u>
<u>\$ 196,792,610</u>	<u>\$ 34,460,756</u>	<u>\$ 231,253,366</u>

## CITY OF WESTMINSTER

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

		Special Revenue Funds	
	General	Community Promotion	Housing and Community Development
ASSETS			
Cash and investments (Note 2)	\$ 20,644,959	\$ 9,293	\$ 30,677
Receivables, net of allowances (Note 4)	5,545,650	117,096	3,577,810
Deposits	-	-	45,300
Prepaid items	3,079	29,250	-
Due from other funds (Note 3)	3,033,730	-	-
Restricted assets:			
Cash and investments (Note 2)	-	-	-
Cash and investments with fiscal agents (Note 2)	-	2,779,512	-
Advances to other funds (Note 3)	1,096,136	-	-
Land held for resale (Note 5)	-	-	-
TOTAL ASSETS	\$ 30,323,554	\$ 2,935,151	\$ 3,653,787
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and other liabilities	\$ 1,204,113	\$ 37,519	\$ 52,415
Deposits	641,009	3,000	-
Deferred revenue	2,548,100	-	45,300
Due to other funds (Note 3)	8,944	3,005,000	1,170,000
Due to other governments	1,740	-	2,137,266
Advances from other funds (Note 3)	-	-	-
TOTAL LIABILITIES	4,403,906	3,045,519	3,404,981
FUND BALANCES (DEFICITS):			
Reserved (Note 15)	1,099,215	272,304	850,000
Unreserved, reported in:			
General Fund	24,820,433	-	-
Special Revenue Funds	-	(382,672)	(601,194)
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES (DEFICITS)	25,919,648	(110,368)	248,806
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,323,554	\$ 2,935,151	\$ 3,653,787

See accompanying independent auditors' report and notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Funds			
Special Gas Tax and Street Improvements	Debt Service	Capital Improvements	Redevelopment Projects	Other Governmental Funds	Total Governmental Funds
\$ 313,739	\$ 4,208,180	\$ 9,294,983	\$ 20,510,853	\$ 1,300,266	\$ 56,312,950
362,924	1,380,825	-	1,841,764	2,759,531	15,585,600
-	-	-	-	-	45,300
-	-	-	-	1,250	33,579
-	-	7,019,000	8,944	-	10,061,674
-	500,000	13,064,709	2,568,753	6,001,266	22,134,728
-	12,486,363	-	-	-	15,265,875
-	1,536,782	1,288,550	-	850,000	4,771,468
-	-	-	723,950	-	723,950
<u>\$ 676,663</u>	<u>\$ 20,112,150</u>	<u>\$ 30,667,242</u>	<u>\$ 25,654,264</u>	<u>\$ 10,912,313</u>	<u>\$ 124,935,124</u>
\$ 73,586	\$ 16,806	\$ 2,464,198	\$ 807,518	\$ 88,256	\$ 4,744,411
-	-	-	4,598	69,512	718,119
-	395,828	-	1,417,979	9,460	4,416,667
2,910,000	-	-	1,800,205	1,167,525	10,061,674
-	5,277,694	-	-	-	7,416,700
-	736,136	-	850,000	-	1,586,136
<u>2,983,586</u>	<u>6,426,464</u>	<u>2,464,198</u>	<u>4,880,300</u>	<u>1,334,753</u>	<u>28,943,707</u>
341,582	13,685,686	1,288,550	723,950	9,562,355	27,823,642
-	-	-	-	-	24,820,433
(2,648,505)	-	-	-	15,205	(3,617,166)
-	-	26,914,494	20,050,014	-	46,964,508
<u>(2,306,923)</u>	<u>13,685,686</u>	<u>28,203,044</u>	<u>20,773,964</u>	<u>9,577,560</u>	<u>95,991,417</u>
<u>\$ 676,663</u>	<u>\$ 20,112,150</u>	<u>\$ 30,667,242</u>	<u>\$ 25,654,264</u>	<u>\$ 10,912,313</u>	<u>\$ 124,935,124</u>

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CITY OF WESTMINSTER

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 95,991,417
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Capital assets net of \$123,845,586 accumulated depreciation are	128,660,155
Internal Service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net activities. Internal Service funds net assets are	15,175,360
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2006 are:	
Long-term debt	(43,463,690)
Note issuance costs	61,719
Deferred costs	24,528
Accrued interest	(698,622)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements.	<u>1,041,743</u>
Net assets of governmental activities	<u><u>\$ 196,792,610</u></u>

See accompanying independent auditors' report and notes to basic financial statements.

## CITY OF WESTMINSTER

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2006

	General	Special Revenue Funds	
		Community Promotion	Housing and Community Development
REVENUES:			
Taxes	\$ 34,704,522	\$ 341,501	\$ -
Licenses and permits	610,347	-	-
Fines	1,115,973	-	-
Investment and rental	1,068,221	127,061	4,696
Intergovernmental	390,917	-	2,424,528
Charges for services	5,907,603	847	-
Other	135,358	180,435	144,380
TOTAL REVENUES	43,932,941	649,844	2,573,604
EXPENDITURES:			
Current:			
General government	984,305	-	-
Public safety	30,565,763	-	-
Public works	3,185,114	-	-
Community development	2,499,281	160,712	1,590,881
Community services	1,712,464	32,244	-
Capital outlay	66,042	2,073	8,109
Debt service:			
Principal retirement	-	151,453	-
Interest and fiscal charges	-	91,601	-
TOTAL EXPENDITURES	39,012,969	438,083	1,598,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,919,972	211,761	974,614
OTHER FINANCING SOURCES (USES):			
Sale of equipment and property	3,390	-	-
Transfers in	2,094,712	209,500	187,442
Transfers out	(3,111,896)	(338,522)	(884,058)
TOTAL OTHER FINANCING SOURCES (USES)	(1,013,794)	(129,022)	(696,616)
NET CHANGE IN FUND BALANCES	3,906,178	82,739	277,998
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	22,013,470	(193,107)	(29,192)
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 25,919,648	\$ (110,368)	\$ 248,806

See accompanying independent auditors' report and notes to basic financial statements.

Special Revenue Funds (Continued)		Capital Projects Funds				
Special Gas Tax and Street Improvements	Debt Service	Capital Improvements	Redevelopment Projects	Other Governmental Funds	Total Governmental Funds	
\$ 2,764,584	\$ 20,524,629	\$ -	\$ -	\$ 6,321,316	\$ 64,656,552	
-	-	-	-	-	610,347	
-	-	-	-	-	1,115,973	
145,530	449,338	123,277	874,218	531,611	3,323,952	
295,840	-	-	203,570	695,557	4,010,412	
156,440	-	-	-	165,844	6,230,734	
38,033	-	-	34,935	61,462	594,603	
<u>3,400,427</u>	<u>20,973,967</u>	<u>123,277</u>	<u>1,112,723</u>	<u>7,775,790</u>	<u>80,542,573</u>	
-	6,106,317	-	-	61,838	7,152,460	
-	-	-	-	605,475	31,171,238	
-	-	-	-	-	3,185,114	
1,809,060	-	-	1,607,329	1,154,265	8,821,528	
-	-	-	-	227,834	1,972,542	
-	-	11,662,377	8,383,423	76,218	20,198,242	
212,848	3,880,000	-	-	100,968	4,345,269	
128,734	1,919,965	-	-	62,995	2,203,295	
<u>2,150,642</u>	<u>11,906,282</u>	<u>11,662,377</u>	<u>9,990,752</u>	<u>2,289,593</u>	<u>79,049,688</u>	
<u>1,249,785</u>	<u>9,067,685</u>	<u>(11,539,100)</u>	<u>(8,878,029)</u>	<u>5,486,197</u>	<u>1,492,885</u>	
-	-	-	-	-	3,390	
580,000	510,208	11,208,240	9,513,408	800,430	25,103,940	
<u>(5,259,817)</u>	<u>(6,420,000)</u>	<u>(1,818,390)</u>	<u>(1,382,405)</u>	<u>(4,665,511)</u>	<u>(23,880,599)</u>	
<u>(4,679,817)</u>	<u>(5,909,792)</u>	<u>9,389,850</u>	<u>8,131,003</u>	<u>(3,865,081)</u>	<u>1,226,731</u>	
<u>(3,430,032)</u>	<u>3,157,893</u>	<u>(2,149,250)</u>	<u>(747,026)</u>	<u>1,621,116</u>	<u>2,719,616</u>	
<u>1,123,109</u>	<u>10,527,793</u>	<u>30,352,294</u>	<u>21,520,990</u>	<u>7,956,444</u>	<u>93,271,801</u>	
\$ (2,306,923)	\$ 13,685,686	\$ 28,203,044	\$ 20,773,964	\$ 9,577,560	\$ 95,991,417	

## CITY OF WESTMINSTER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 2,719,616
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period.	6,022,375
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The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt.

Debt issued or incurred:

Principal payments	4,345,269
--------------------	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Net change in accrued interest	37,269
Amortization of issuance costs	(64,213)

Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.	(624,182)
---	-----------

Some revenues reported previously in the statement of activities were reported as revenues in the governmental funds as they were received in the current fiscal year.	(1,393,324)
--	-------------

Some revenues reported in the statement of activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in governmental funds:

Sales tax	1,041,743
-----------	-----------

Change in net assets of governmental activities	\$ 12,084,553
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See accompanying independent auditors' report and notes to basic financial statements.



CITY OF WESTMINSTER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2006

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 2,507,450	\$ 14,756,072
Receivables, net of allowances (Note 4)	1,584,409	83,473
Prepaid items	-	1,072
Inventories	119,516	39,748
Restricted assets:		
Cash and investments	-	3,006,378
Cash and investments with fiscal / other agents	367,947	-
TOTAL CURRENT ASSETS	4,579,322	17,886,743
NONCURRENT ASSETS:		
Deferred bond charges	195,072	90,919
CAPITAL ASSETS (NOTE 6):		
Land	2,494,846	-
Buildings	208,285	4,166,795
Water distribution lines	41,099,102	-
Improvements other than buildings	11,808,269	12,500
Vehicles	-	2,460,548
Machinery and equipment	10,773,919	213,101
Office furniture, computers and equipment	96,790	1,250,278
Leased property	-	695,070
Construction in progress	1,448,714	451,135
TOTAL CAPITAL ASSETS	67,929,925	9,249,427
Less accumulated depreciation	(28,282,069)	(3,172,866)
NET CAPITAL ASSETS	39,647,856	6,076,561
TOTAL NONCURRENT ASSETS	39,842,928	6,167,480
TOTAL ASSETS	44,422,250	24,054,223

(Continued)

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(CONTINUED)

June 30, 2006

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other liabilities	\$ 1,076,313	\$ 297,633
Deposits	18,000	-
Advances from other funds	2,825,332	360,000
Claims payable	-	593,778
Compensated absences	100,805	1,560,237
Certificates of participation	155,000	194,731
Loans payable	281,878	-
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,457,328</b>	<b>3,006,379</b>
	<hr/>	<hr/>
<b>LONG-TERM LIABILITIES:</b>		
Claims payable	-	1,781,333
Compensated absences	-	253,992
Certificates of participation	3,647,154	2,089,325
Loans payable	3,604,846	-
	<hr/>	<hr/>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>7,252,000</b>	<b>4,124,650</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>11,709,328</b>	<b>7,131,029</b>
	<hr/>	<hr/>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	31,958,977	3,792,504
Restricted	367,947	-
Unrestricted	385,998	13,130,690
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>32,712,922</b>	<b>\$ 16,923,194</b>
	<hr/>	<hr/>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Beginning adjustment	1,649,407	
Current year adjustment	98,427	
	<hr/>	
Net assets of business-type activity	<b>\$ 34,460,756</b>	
	<hr/>	

See accompanying independent auditors' report and notes to basic financial statements.

## CITY OF WESTMINSTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

For the year ended June 30, 2006

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Rentals	\$ 50	\$ -
Charges for services	10,089,076	17,159,966
Other	1,994	712,731
TOTAL OPERATING REVENUES	<u>10,091,120</u>	<u>17,872,697</u>
OPERATING EXPENSES:		
Salaries	2,209,648	4,691,155
Maintenance and operations	2,813,011	3,469,305
Purchased water	2,466,477	-
Equity taxes	1,849,370	-
Insurance premiums and legal fees	9,226	2,791,287
Claims and benefits	-	5,372,672
Depreciation and amortization	1,436,834	638,477
TOTAL OPERATING EXPENSES	<u>10,784,566</u>	<u>16,962,896</u>
OPERATING INCOME (LOSS)	<u>(693,446)</u>	<u>909,801</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	168,027	195,627
Interest and fiscal charges	(459,400)	(144,557)
Gain (loss) on sale of equipment	(11,590)	22,712
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(302,963)</u>	<u>73,782</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(996,409)</u>	<u>983,583</u>
TRANSFERS:		
Transfers in	733,620	583,736
Transfers out	(447,622)	(2,093,075)
TOTAL TRANSFERS	<u>285,998</u>	<u>(1,509,339)</u>
CHANGE IN NET ASSETS	<u>(710,411)</u>	<u>(525,756)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>33,423,333</u>	<u>17,448,950</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 32,712,922</u>	<u>\$ 16,923,194</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	\$ 98,427	
Change in net assets - Enterprise Funds	<u>(710,411)</u>	
Change in net assets of business-type activity	<u>\$ (611,984)</u>	

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended June 30, 2006

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 10,192,493	\$ 17,837,643
Payment to suppliers	(7,267,789)	(11,702,867)
Payment to employees	(2,219,115)	(4,624,009)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>705,589</u>	<u>1,510,767</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	1,042,271	606,626
Cash paid to other funds	(447,622)	(2,115,965)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>594,649</u>	<u>(1,509,339)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(1,801,908)	(575,419)
Proceeds from sale of property	-	23,066
Principal payments on long-term debt	(421,033)	(194,731)
Interest expense	(427,596)	(118,014)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,650,537)</u>	<u>(865,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>168,207</u>	<u>195,627</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,182,092)	(668,043)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,057,489</u>	<u>18,430,493</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,875,397</u>	<u>\$ 17,762,450</u>
CASH AND CASH EQUIVALENTS:		
Cash and investments - current assets	\$ 2,507,450	\$ 14,756,072
Cash and investments - restricted assets	<u>367,947</u>	<u>3,006,378</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,875,397</u>	<u>\$ 17,762,450</u>

(Continued)

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(CONTINUED)

For the year ended June 30, 2006

	Business-type Activity	Governmental Activities
	Enterprise Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (693,446)	\$ 909,801
Depreciation and amortization	1,436,834	638,477
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	98,682	(35,054)
(Increase) decrease in other receivables	2,691	-
(Increase) decrease in prepaid charges	-	(830)
(Increase) decrease in inventories	(43,947)	(4,187)
Increase (decrease) in accounts payable and other liabilities	(85,758)	(21,781)
Increase (decrease) in claims payable	-	(42,805)
Increase (decrease) in compensated absences payable	(9,467)	67,146
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 705,589</u>	<u>\$ 1,510,767</u>

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS

June 30, 2006

RESTRICTED ASSETS:

Cash and investments

\$ 85,913

LIABILITIES:

Due to bondholders

85,913

\$ -

See accompanying independent auditors' report and notes to basic financial statements..

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Description of the Reporting Entity:**

The basic financial statements of the City of Westminster include the activities of the City, the Westminster Redevelopment Agency and the Westminster Public Financing Authority.

The City of Westminster was incorporated in 1957 under the General Laws of the State of California. The City operates under a Council-Manager form of government governed by a five-member council and provides the following services: public safety (police, fire, paramedic and ambulance), highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services.

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statement 14. The City of Westminster is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency and Authority as "blended" component units. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, these basic financial statements present the City and its component units, the Westminster Redevelopment Agency and the Westminster Public Financing Authority. Each blended component unit has a June 30 year end.

The Westminster Redevelopment Agency (the Agency) was established in September 1982 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law." Its purpose is to eliminate blighted areas, enhance job creation and retention, improve the tax base for the City, promote quality new development and improve the image of the City. City Council members, in separate session, serve as the governing board of the Agency. The activity of the Agency is reported in the Special Revenue, Debt Service and Capital Project Funds. The Agency prepares separate Basic Financial Statements and a copy can be obtained from the City's Finance Department.

See accompanying independent auditors' report.

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### **Description of the Reporting Entity (Continued):**

The Westminster Public Financing Authority (the Authority) was established on March 23, 1993 pursuant to California Government Code, Section 6500. The Authority was established to provide a financing mechanism for the City's and Agency's various public projects. A separate fund is not maintained for the Authority as principal and interest payments on debt issued by the Authority is paid directly by the City and Agency. The payments are reported in the Special Revenue, Debt Service, Enterprise and Internal Service Funds. There are no separate Basic Financial Statements prepared for the Public Financing Authority.

The accounting policies of the City of Westminster, the Westminster Redevelopment Agency and the Westminster Public Financing Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Government-Wide and Fund Financial Statements (Continued):**

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the government's governmental, proprietary, and fiduciary funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements includes financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued):**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued):**

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**Fund Classifications:**

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The Community Promotion Special Revenue Fund is used to account for the assets generated by the sale of the City's cable franchise. Interest earnings on the proceeds of the sale are used to fund various cable television broadcasts and community promotion activities.

The Housing and Community Development Special Revenue Fund is used to account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are to be used for the development of a viable community by providing decent housing, suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

Special Gas Tax and Street Improvements Fund is used to account for revenues and expenditures apportioned under the Streets and Highways Code of the State of California, Measure M sales taxes, and various grant programs available for street-related expenditures. Expenditures may be made for any street-related purpose in the City's system of streets, including maintenance thereof.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

The Capital Improvement Capital Projects Fund is used to account for City projects funded by various sources.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Fund Classifications (Continued):**

The City reports the following major governmental funds (Continued):

The Redevelopment Projects Capital Projects Fund is used to account for the proceeds of notes and advances, and the expenditure of such funds for improvement, reconstruction and redevelopment projects within the specified boundaries of the Westminster Redevelopment Agency.

The City reports the following major enterprise fund:

The Water Enterprise Fund is used to account for the provision of water services to residential, commercial and industrial customers.

The City's fund structure also includes the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include risk management, compensation and benefits, motor pool and equipment maintenance, and facilities maintenance.

The Agency Funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for the 1915 Act Bonds (Limited Obligation Improvement Bonds) for which the City acts as an agent for debt service activity.

**Capital Assets:**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$500 are capitalized if they have an expected useful life of 1 year or more.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, storm drains, bridges and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data as of June 30, 2006.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Capital Assets (Continued):**

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements and in the Fund Financial Statements of the Enterprise Fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The lives used for depreciation purposes of each capital asset class are:

Buildings	30 to 50 years
Improvements other than buildings	20 years
Water distribution lines	65 years
Vehicles	4 to 15 years
Machinery and equipment	5 to 30 years
Office furniture, computers and equipment	5 to 20 years
Leased property	5 to 10 years
Infrastructure	20 to 50 years

**Encumbrances:**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year. As of June 30, 2006 all encumbrances at year-end were closed. Unexpended appropriations are reencumbered in the following year after reconsideration, without additional budget appropriation.

**Statement of Cash Flows:**

For purposes of the statement of cash flows, City's Enterprise and Internal Service Funds participate in the pooling of City-wide cash and investments. As amounts are available to these Funds on demand, all cash and investments are considered to be cash and cash equivalents for statement of cash flow purposes.

**Investments:**

Investments are stated at fair value (quoted market price or best available estimate thereof).

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Inventories:**

Inventories are valued at cost, which approximates market, on a first-in, first-out basis. Inventory in the Enterprise Fund consists mostly of water meters and spare parts. Inventory in the Internal Service Funds consists of expendable supplies held for consumption.

**Land Held for Resale:**

Land held for resale is carried in the Redevelopment Projects Capital Projects Fund at the lower of acquisition cost or estimated net realizable value. The land values are reappraised on a periodic basis and any adjustments on the properties are shown in the Redevelopment Projects Capital Projects Fund statement of revenues, expenditures, and changes in fund balance.

**Property Taxes:**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1 and become delinquent December 11 and April 11. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than 2% per year. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

**Compensated Absences:**

Costs associated with compensated absences, along with any related accruals, are accounted for in the Compensation/Benefits Internal Service Fund. The costs for this program will be recovered from those governmental units through inter-departmental charges for services. Other proprietary funds with payroll costs account for their own respective compensated absences.

**Retirement Benefits:**

The City accounts for CalPERS credits and retirement benefit expenditures in the Compensation/Benefits Internal Service Fund.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Interest Rate Swaps:**

The City has entered into interest rate swap agreements to fix the interest rates on outstanding variable rate debt. Other than the fixed interest expenditure resulting from these agreements, no amounts are recorded in the basic financial statements.

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable, notes receivable, amounts due from other funds and amounts advanced to other funds), the valuation of property held for resale, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

CITY OF WESTMINSTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2006 consisted of the following:

	Government Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 73,576,472	\$ -	\$ 73,576,472
Total unrestricted assets	<u>73,576,472</u>	<u>-</u>	<u>73,576,472</u>
Restricted assets:			
Cash and investments	25,141,106	85,913	25,227,019
Investments with fiscal agents	<u>15,633,822</u>	<u>-</u>	<u>15,633,822</u>
Total restricted assets	<u>40,774,928</u>	<u>85,913</u>	<u>40,860,841</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 114,351,400</u>	<u>\$ 85,913</u>	<u>\$ 114,437,313</u>

Cash and investments consist of deposits and investments, as noted below:

Deposits	\$ 1,469,079
Investments	<u>112,968,234</u>
	<u>\$ 114,437,313</u>

The City follows the practice of pooling cash and investments of all funds except for amounts with fiscal agents, and legally restricted funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Unrestricted assets - cash and investments" or "Restricted assets - cash and investments".

Investment income earned on pooled cash and investments is allocated to the various funds based on ending cash and investment balances. Interest from cash and investments of funds excluded from pooled amounts is credited directly to the related fund.

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS (CONTINUED):

**Investment Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Banker's Acceptances	180 days	15%	\$ 2,000,000
Time Certificate of Deposits	5 years	No Limit	5%
Negotiable Certificates of Deposit	5 years	15%	15%
Repurchase Agreements	1 year	Unlimited	Unlimited
Local Agency Investment Fund (LAIF)	N/A	No Limit	\$ 40,000,000

N/A - Not Applicable

\* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	No Limit	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	No Limit	No Limit	No Limit
Banker's Acceptances	360 days	No Limit	No Limit
Time Certificate of Deposits	360 days	No Limit	No Limit
Commercial Paper	270 days	No Limit	No Limit
Money Market Mutual Funds	N/A	No Limit	No Limit

N/A - Not Applicable

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 36 Months	37 - 60 Months	
Local Agency Investment Fund	\$ 58,007,913	\$ -	\$ -	\$ 58,007,913
U.S. Treasury Obligations	992,500	3,079,126	3,336,970	7,408,596
Federal Home Loan Mortgage Corporation	-	4,849,126	5,862,542	10,711,668
Federal Home Loan Bank	994,375	9,075,957	-	10,070,332
Federal National Mortgage Association	997,500	5,386,720	4,338,501	10,722,721
Money Market Mutual Funds	<u>16,047,004</u>	<u>-</u>	<u>-</u>	<u>16,047,004</u>
	<u>\$ 77,039,292</u>	<u>\$ 22,390,929</u>	<u>\$ 13,538,013</u>	<u>\$112,968,234</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

Investment Type	Total as of June 30, 2006	AAA	Not Required to be Rated	Not Rated
Local Agency Investment Fund	\$ 58,007,913	\$ -	\$ -	\$ 58,007,913
U.S. Treasury Obligations	7,408,596	-	7,408,596	-
Federal Home Loan Mortgage Corporation	10,711,668	10,711,668	-	-
Federal Home Loan Bank	10,070,332	10,070,332	-	-
Federal National Mortgage Association	10,722,721	10,722,721	-	-
Money Market Mutual Funds	16,047,004	16,047,004	-	-
	<u>\$ 112,968,234</u>	<u>\$47,551,725</u>	<u>\$ 7,408,596</u>	<u>\$ 58,007,913</u>

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$ 10,711,668
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	10,070,332
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	10,722,721

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2006, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law. The difference between the bank balances and deposits represent deposits in transit and outstanding checks.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Interfund receivables and payables at June 30, 2006 are as follows:

	Receivable	Payable
General Fund	\$ 3,033,730	\$ 8,944
Special Revenue Funds:		
Community Promotion	-	3,005,000
Housing and Community Development	-	1,170,000
Special Gas Tax and Street Improvements	-	2,910,000
Capital Projects Funds:		
Capital Improvements	7,019,000	-
Redevelopment Projects	8,944	1,800,205
Other Governmental Funds	-	1,167,525
	<u>\$ 10,061,674</u>	<u>\$ 10,061,674</u>

The interfund amounts between the Capital Improvements Fund and the Special Revenue Community Promotion, Housing and Community Development, Special Gas Tax and Street Improvements and Other Governmental Funds are for short-term loans to cover operations.

The receivable and payable between the General Fund and the Redevelopment Projects Capital Projects Fund are for short-term operations related to activity between the funds.

Advances to and from other funds at June 30, 2006 are as follows:

	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 1,096,136	\$ -
Debt Service Fund	1,536,782	736,136
Capital Projects Funds:		
Capital Improvements	1,288,550	-
Redevelopment Projects	-	850,000
Other Governmental Funds	850,000	-
Enterprise Fund:		
Water	-	2,825,332
Internal Service Fund:		
Risk Management	-	360,000
	<u>\$ 4,771,468</u>	<u>\$ 4,771,468</u>

The advances from the General Fund of \$736,136 to the Debt Service Fund are to provide for operations of the Redevelopment Agency. The advances from the General Fund of \$360,000 to the Risk Management Internal Service Fund are to provide for temporary cash flows. The advances from the Debt Service Fund and Capital Improvements Capital Projects Fund to the Water Enterprise Fund, and from the Other Governmental Funds to the Redevelopment Projects Capital Projects Fund are to provide funds for capital improvements.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The compositions of the City's interfund transfer balances as of June 30, 2006 are as follows:

**Governmental Activities:**

	Transfers Out							
	Community		Housing and	Special Gas		Other		Total
	General	Promotion	Development	Tax and Street	Debt	Capital	Redevelopment	Govt
				Improvements	Service	Improvements	Projects	Funds
<u>Transfers In:</u>								
General	\$ -	\$ 34,500	\$ -	\$ -	\$ -	\$ 2,628,000	\$ -	\$ 215,430
Community Promotion	-	-	-	-	-	338,522	-	-
Housing and Community								
Development	112,263	-	-	-	-	761,795	-	-
Special Gas Tax and								
Street Improvements	-	-	-	-	-	5,259,817	-	-
Debt Service	-	-	-	-	-	-	6,420,000	-
Capital Improvements	-	-	-	580,000	-	-	-	175,000
Redevelopment Projects	480,827	-	187,442	-	-	364,136	-	350,000
Other Governmental Funds	-	175,000	-	-	510,208	876,895	3,093,408	-
Water Enterprise	1,622	-	-	-	-	386,000	-	60,000
Internal Service	1,500,000	-	-	-	-	593,075	-	-
	<u>\$ 2,094,712</u>	<u>\$ 209,500</u>	<u>\$ 187,442</u>	<u>\$ 580,000</u>	<u>\$ 510,208</u>	<u>\$ 11,208,240</u>	<u>\$ 9,513,408</u>	<u>\$ 800,430</u>
								<u>\$ 25,103,940</u>

**Business-type Activity:**

	Transfers Out		
	Water	Internal	Total
<u>Transfers In:</u>	<u>Enterprise</u>	<u>Service</u>	
General	\$ 140,000	\$ 93,967	\$ 233,967
Housing and Community Development	10,000	-	10,000
Capital Improvements	573,620	489,769	1,063,389
Other Governmental Funds	10,000	-	10,000
	<u>\$ 733,620</u>	<u>\$ 583,736</u>	<u>\$ 1,317,356</u>

Transfers between/to Capital Improvements and Redevelopment Projects Funds from the other funds are to primarily fund capital projects, which are then transferred back to the original fund upon completion of the project.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The General Fund transferred monies to the Internal Service Fund to fund capital purchases in the Facilities/Maintenance Internal Service Fund. Other transfers from the General Fund to the Community Promotion Fund, Capital Improvements Fund and Other Governmental Funds are for operations.

4. RECEIVABLES:

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

**Governmental Funds:**

	General	Community Promotion	Housing and Community Development	Special Gas Tax and Street Improvements	Debt Service	Redevelopment Projects	Other Governmental	Total
Taxes	\$ 4,455,690	\$ 106,896	\$ -	\$ -	\$ 1,287,386	\$ -	\$ 254,058	\$ 6,104,030
Accounts	245,980	-	-	-	-	1,834	-	247,814
Interest	745,788	10,200	-	-	93,439	365,882	-	1,215,309
Loans	-	-	2,137,266	-	-	-	872,043	3,009,309
Notes	-	-	850,000	-	-	-	1,500,000	2,350,000
Other	-	-	-	-	-	-	100	100
Due from other governments	98,192	-	590,544	362,924	-	1,474,048	133,330	2,659,038
	<u>\$ 5,545,650</u>	<u>\$ 117,096</u>	<u>\$ 3,577,810</u>	<u>\$ 362,924</u>	<u>\$ 1,380,825</u>	<u>\$ 1,841,764</u>	<u>\$ 2,759,531</u>	<u>\$ 15,585,600</u>

**Proprietary Funds:**

	Water Enterprise	Internal Service	Total
Accounts	\$ 1,578,089	\$ 51,495	\$ 1,629,584
Interest	1,575	-	1,575
Other	4,745	31,978	36,723
Net Total Receivables	<u>\$ 1,584,409</u>	<u>\$ 83,473</u>	<u>\$ 1,667,882</u>

See accompanying independent auditors' report.



CITY OF WESTMINSTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

5. LAND HELD FOR RESALE:

Land held for resale consists of property acquired by the Redevelopment Agency and held for resale. The property is carried at the lower of cost or estimated net realizable value. The estimated net realizable value as of June 30, 2006, is \$723,950 with this amount offset by a reservation of fund balance. Certain properties held by the Agency have been leased to private parties with future options to purchase.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2006 is as follows:

	Balance at June 30, 2005 (As Restated Note 18)	Additions	Deletions	Balance at June 30, 2006
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,151,928	\$ -	\$ (111,400)	\$ 4,040,528
Construction in progress	<u>11,052,156</u>	<u>107,329</u>	<u>(10,688,198)</u>	<u>471,287</u>
Total capital assets, not being depreciated	<u>15,204,084</u>	<u>107,329</u>	<u>(10,799,598)</u>	<u>4,511,815</u>
Capital assets, being depreciated:				
Buildings	13,306,520	18,808,937	-	32,115,457
Improvements other than buildings	3,041,191	1,027,275	-	4,068,466
Vehicles, machinery and equipment	3,957,852	1,783,925	(159,808)	5,581,969
Office furniture and equipment	3,662,851	412,275	(20,046)	4,055,080
Leased property	718,694	-	(23,624)	695,070
Infrastructure	<u>209,797,682</u>	<u>929,633</u>	<u>-</u>	<u>210,727,315</u>
Total capital assets, being depreciated	<u>234,484,790</u>	<u>22,962,045</u>	<u>(203,478)</u>	<u>257,243,357</u>
Less accumulated depreciation for:				
Buildings	(6,296,626)	(359,950)	-	(6,656,576)
Improvements other than buildings	(748,220)	(156,586)	-	(904,806)
Vehicles, machinery and equipment	(1,615,352)	(439,198)	123,403	(1,931,147)
Office furniture and equipment	(1,848,179)	(550,653)	16,718	(2,382,114)
Leased property	(518,244)	(91,528)	16,847	(592,925)
Infrastructure	<u>(109,889,532)</u>	<u>(4,661,356)</u>	<u>-</u>	<u>(114,550,888)</u>
Total accumulated depreciation	<u>(120,916,153)</u>	<u>(6,259,271)</u>	<u>156,968</u>	<u>(127,018,456)</u>
Total capital assets, being depreciated, net	<u>113,568,637</u>	<u>16,702,774</u>	<u>(46,510)</u>	<u>130,224,901</u>
Governmental activities capital assets, net	<u>\$128,772,721</u>	<u>\$ 16,810,103</u>	<u>\$(10,846,108)</u>	<u>\$ 134,736,716</u>

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

## 6. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activity capital assets at June 30, 2006 is as follows:

<b>Business-type Activity:</b>	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 2,015,496	\$ 479,350	\$ -	\$ 2,494,846
Construction in progress	<u>12,626,338</u>	<u>(11,177,624)</u>	<u>-</u>	<u>1,448,714</u>
Total capital assets, not being depreciated	<u>14,641,834</u>	<u>(10,698,274)</u>	<u>-</u>	<u>3,943,560</u>
Capital assets, being depreciated:				
Buildings	85,449	122,836	-	208,285
Improvements other than buildings	57,024	11,751,245	-	11,808,269
Water distribution lines	41,099,102	-	-	41,099,102
Machinery and equipment	10,770,609	3,309	-	10,773,918
Office furniture and equipment	<u>118,459</u>	<u>1,131</u>	<u>(22,801)</u>	<u>96,789</u>
Total capital assets, being depreciated	<u>52,130,643</u>	<u>11,878,521</u>	<u>(22,801)</u>	<u>63,986,363</u>
Less accumulated depreciation for:				
Buildings	(85,449)	(542)	-	(85,991)
Improvements other than buildings	(31,387)	(237,900)	-	(269,287)
Water distribution lines	(21,587,461)	(632,294)	-	(22,219,755)
Machinery and equipment	(5,096,657)	(551,610)	-	(5,648,267)
Office furniture and equipment	<u>(60,639)</u>	<u>(9,340)</u>	<u>11,212</u>	<u>(58,767)</u>
Total accumulated depreciation	<u>(26,861,593)</u>	<u>(1,431,686)</u>	<u>11,212</u>	<u>(28,282,067)</u>
Total capital assets, being depreciated, net	<u>25,269,050</u>	<u>10,446,835</u>	<u>(11,589)</u>	<u>35,704,296</u>
Business-type Activity capital assets, net	<u>\$ 39,910,884</u>	<u>\$ (251,439)</u>	<u>\$ (11,589)</u>	<u>\$ 39,647,856</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

6. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government	\$ 64,941
Public safety	524,675
Public works	4,702,508
Community development	182,596
Community services	150,394
Internal service funds	<u>634,157</u>

Total depreciation expense - governmental activities \$ 6,259,271

**Business-type Activity:**

Water Fund	<u>\$ 1,431,686</u>
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7. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2006:

**Governmental Activities:**

	Balance July 1, 2005	Additions	Reductions	Deferred Bond Costs	Balance June 30, 2006	Amount Due Within One Year
Tax allocation bonds payable	\$40,805,000	\$ -	\$ 3,880,000	\$ -	\$36,925,000	\$ 4,030,000
Certificates of participation	9,133,691	-	660,000	24,528	8,498,219	685,000
Note payable	300,000	-	-	-	300,000	-
Compensated absences	1,747,082	1,573,342	1,506,195	-	1,814,229	1,560,237
Claims liabilities	<u>2,417,916</u>	<u>624,324</u>	<u>667,130</u>	<u>-</u>	<u>2,375,110</u>	<u>593,777</u>
Total Governmental Activities	<u>54,403,689</u>	<u>2,197,666</u>	<u>6,713,325</u>	<u>24,528</u>	<u>49,912,558</u>	<u>6,869,014</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

The following is a summary of long-term liability transactions for the year ended June 30, 2006 (Continued):

**Business-type Activity:**

	Balance July 1, 2005	Additions	Reductions	Deferred Bond Costs	Balance June 30, 2006	Amount Due Within One Year
Certificates of participation	\$ 3,936,086	\$ -	\$ 150,000	\$ 16,068	\$ 3,802,154	\$ 155,000
Loans payable	4,157,757	-	271,033	-	3,886,724	281,878
Compensated absences	110,272	130,993	140,460	-	100,805	100,805
Total Business-type Activity	8,204,115	130,993	561,493	16,068	7,789,683	537,683
<b>City Total</b>	<u>\$62,607,804</u>	<u>\$ 2,328,659</u>	<u>\$ 7,274,818</u>	<u>\$ 40,596</u>	<u>\$57,702,241</u>	<u>\$ 7,406,697</u>

**Governmental Activities:**

The Governmental Activities long-term liability transactions at June 30, 2006 are comprised of the following individual items:

Tax Allocation Bonds

\$40,250,000 Westminster Commercial Redevelopment Project No. 1, 1997 Tax Allocation Revenue Refunding Bonds dated December 1, 1997. The bonds are payable in annual installments ranging from \$640,000 to \$2,415,000 until maturity on August 1, 2027. Interest is payable monthly at a variable rate not to exceed 12%. The 1997 bonds were issued for the purpose of advance refunding \$28,475,000 Westminster Commercial Redevelopment Project No. 1, 1991 Tax Allocation Bonds Series A (1991 bonds), and the \$10,000,000 Westminster Commercial Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds (1993 bonds). Proceeds from the 1997 bonds were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1991 and 1993 bonds until fully retired. The 1991 and 1993 bonds are legally defeased and are no longer a liability of the Agency. The principal balance on the 1991 defeased bonds was fully paid as of June 30, 2006. The principal balance on the 1993 defeased bonds at June 30, 2006 to be paid by the trustee from the escrow fund was \$7,895,000.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Tax Allocation Bonds (Continued)

The 1997 bonds were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the Redevelopment Agency pays a "fixed" interest rate of 4.62% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the bondholders based on the variable rate calculation. Under the swap agreement, the Redevelopment Agency owes interest calculated at a fixed rate of 4.62% to the counterparty (AFS-LP). In return, the counterparty owes the Agency interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The Agency continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the Agency effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on that fixed rate. The Agency will be exposed to variable rates if the swap agreement is terminated by the Agency. In the event of any counterparty default, the counterparty swap payment is insured by AMBAC. Further, if there is an AMBAC downgrade, AMBAC will post collateral to the counterparty for the principal. A termination of the swap agreement may also result in the Agency's making or receiving a termination payment.

\$ 33,730,000

\$450,000 Westminster Commercial Redevelopment Project No. 1, 1991 Subordinate Taxable Tax Allocation Bonds, Series B, dated October 1, 1991 payable in the amounts of \$225,000 on December 1, 2002 and \$225,000 on December 1, 2007. The bonds are subject to mandatory redemption at a price equal to the principal and accrued interest, without premium. Interest is paid semiannually at rates of 10.25% and 10.50% per annum.

105,000

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Tax Allocation Bonds (Continued)

\$5,900,000 Westminster Commercial Redevelopment Project No. 1, 2004 Subordinate Tax Allocation Notes, dated May 1, 2004. The notes are payable in annual installments ranging from \$1,900,000 to \$2,035,000 until maturity on May 1, 2007. The notes are subject to optional call and redemption prior to maturity on any date after November 1, 2004 at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption together with a redemption premium equal to a date based assigned percentage of the principal. Interest is paid semiannually at a rate of 3.50% per annum.

\$ 2,035,000

\$3,100,000 Westminster Commercial Redevelopment Project No. 1, 2004 Subordinate Tax Allocation Notes, Series B, dated September 1, 2004. The notes are payable in annual installments ranging from \$1,020,000 to \$1,055,000 until maturity on May 1, 2007. The notes are subject to optional call and redemption prior to maturity on any date after November 1, 2004 at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption together with a redemption premium equal to a date based assigned percentage of the principal. Interest is paid semiannually at a rate of 3.70% per annum.

1,055,000

Total Tax Allocation Bonds

\$ 36,925,000

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Certificates of Participation

\$13,600,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998A (1998 Civic Center Refunding Program), dated October 1, 1998. The Certificates are payable in annual installments ranging from \$300,000 to \$815,000 until maturity on June 1, 2022. Interest is payable monthly at a variable rate not to exceed 12%. The 1998 Certificates were issued for the purpose of advance refunding the \$9,000,000 Civic Center and Street Improvement Project Certificates of Participation (1994 Certificates), and the \$5,000,000 Public Improvement Project Certificates of Participation (1995 Certificates). Proceeds from the Series 1998A Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1994 and 1995 Certificates until fully retired. The 1994 and 1995 Certificates are legally defeased and no longer a liability of the City. The principal balances on the 1994 and 1995 defeased Certificates of Participation at June 30, 2006 to be paid by the trustee from the escrow fund were \$4,930,000 and \$3,925,000, respectively.

The 1998 Certificates were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the City pays a "fixed" interest rate of 4.115% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the certificate holders based on the variable rate calculation. Under the swap agreement, the City owes interest calculated at a fixed rate of 4.115% to the counterparty (AFS-LP). In return, the counterparty owes the City interest based on a variable rate that matches the rate required by the certificates. Only the net difference in interest payments is actually exchanged with the counterparty. The certificate principal is not exchanged; it is only the basis on which the interest payments are calculated.

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Certificates of Participation (Continued)

The City continues to pay interest to the certificate holders at the variable rate provided by the certificates. However, during the term of the swap agreement, the City effectively pays a fixed rate on the debt. The debt service requirements to maturity for these certificates are based on that fixed rate. The City will be exposed to variable rates if the swap agreement is terminated by the City. In the event of any counterparty default, the counterparty swap payment is insured by AMBAC. Further, if there is an AMBAC downgrade, AMBAC will post collateral to the counterparty for the principal. A termination of the swap agreement may also result in the City's making or receiving a termination payment.

Gross Principal	\$ 8,815,000
Less: Deferred Amounts on Advance Refunding	<u>(316,781)</u>
Net Amount Certificates of Participation	<u>\$ 8,498,219</u>

Note Payable

\$300,000 California Housing Finance Agency note dated February 6, 2002, and executed on January 28, 2004. The principal is due January 28, 2014 with interest payable at a rate of 3%.

\$ 300,000

Total Note Payable	<u>\$ 300,000</u>
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Compensated Absences/Claims Liabilities

Compensated absences and claims liabilities are being liquidated in the internal service funds. These internal service funds predominately serve the governmental funds. Accordingly, these liabilities are part of the total liabilities for governmental activities.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity:**

The Business-type Activity long-term liability transactions at June 30, 2006 are comprised of the following individual items:

Certificates of Participation

\$5,210,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998B (1998 Water System Refunding Program), dated October 1, 1998. The certificates are payable in annual installments ranging from \$115,000 to \$320,000 until maturity on June 1, 2024. Interest is payable monthly at a variable rate not to exceed 12%. The 1998 Certificates were issued for the purpose of advance refunding the \$5,300,000 1993 Water System Improvement Project Certificates of Participation (1993 Certificates). Proceeds from the 1998B Series Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1993 Certificates until fully retired. The 1993 Certificates are legally defeased and no longer a liability of the City. The principal balance on the 1993 defeased Certificates of Participation is fully paid.

The 1998 Certificates were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the City pays a "fixed" interest rate of 4.115% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the certificate holders based on the variable rate calculation. Under the swap agreement, the City owes interest calculated at a fixed rate of 4.115% to the counterparty (AFS-LP). In return, the counterparty owes the City interest based on a variable rate that matches the rate required by the certificates. Only the net difference in interest payments is actually exchanged with the counterparty. The certificate principal is not exchanged; it is only the basis on which the interest payments are calculated.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity (Continued):**

Certificates of Participation (Continued)

The City continues to pay interest to certificate holders at the variable rate provided by the certificates. However, during the term of the swap agreement, the City effectively pays a fixed rate on the debt. The debt service requirements to maturity for these certificates are based on that fixed rate. The City will be exposed to variable rates if the swap agreement is terminated by the City. In the event of any counterparty default, the counterparty swap payment is insured by AMBAC. Further, if there is an AMBAC downgrade, AMBAC will post collateral to the counterparty for the principal. A termination of the swap agreement may also result in the City's making or receiving a termination payment.

Gross Principal	\$ 4,090,000
Less: Deferred Amounts on Advance Refunding	<u>(287,846)</u>
Net Amount Certificates of Participation	<u>\$ 3,802,154</u>

The covenants authorizing the 1998 Water System Refunding Program Certificates of Participation stipulate that water rates must be maintained at levels sufficient to generate revenues in excess of certain predetermined amounts. Additionally, the City must establish certain management guidelines with respect to the operation of the water system. Resolution No. 3449, authorizing the issuance, terms and conditions of the 1998 Water System Refunding Program Certificates of Participation, includes a covenant requiring that the charges for the services, facilities and water costs of the enterprise be so fixed that the "net revenues" of the enterprise shall be at least 125% of the installment payments on the Certificates.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity (Continued):**

Certificates of Participation (Continued)

For the fiscal year ended June 30, 2006, the calculation of the Enterprise Fund's compliance with the rate coverage covenant is as follows:

Gross revenues:	
Charges for services	\$ 10,089,076
Investment income	168,027
Other	<u>2,044</u>
Total gross revenues	<u>10,259,147</u>
Operating expenses:	
Operating expenses	10,784,566
Depreciation and amortization	(1,436,834)
Vehicle replacement charges	<u>(110,228)</u>
Total operating costs	<u>9,237,504</u>
Net revenues	<u>\$ 1,021,643</u>
Installment payments:	
Principal payments	\$ 150,000
Interest payments	<u>181,802</u>
Total installment payments	<u>\$ 331,802</u>
Net revenues to installment payment coverage ratio	<u>308%</u>

City management believes it is in compliance with all such covenants.

Additionally, the City has agreed to maintain a replacement reserve at a level the City determines to be economically prudent. For the fiscal year ended June 30, 2006, the Enterprise Fund's capital equipment replacement reserve is as follows:

Capital equipment replacement reserve	<u>\$ 1,154,412</u>
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See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity (Continued):**

Loans Payable

\$889,355 loan payable to Orange County Water District, dated August 1, 2000. The loan is payable in annual installments ranging from \$31,449 to \$60,640 until maturity on February 1, 2020. Interest is payable at a fixed rate of 3.5%. The loan was issued as per a conjunctive use well construction program agreement with the Orange County Water District for the completion of a well. \$ 683,364

\$2,200,000 installment purchase agreement payable to Zions First National Bank, dated December 12, 2001. The agreement is payable in annual installments ranging from \$159,000 to \$247,000 until maturity on June 1, 2012. Interest is payable at a fixed rate of 4.5%. The agreement was issued to provide for financing of improvements to the City's water system. 1,330,000

\$2,000,000 installment sale agreement payable to California Infrastructure and Economic Development Bank, dated January 28, 2002. The agreement was issued to provide for the financing of a water tank. The project has been completed, and the loan is fully funded. The agreement is payable in annual installments ranging from \$40,000 to \$105,000 until maturity on August 1, 2032. Interest is payable at a fixed rate of 3.52% per annum. 1,873,360

Total Loans Payable \$ 3,886,724

Compensated Absences

Compensated absences expected to be liquidated by the Water Enterprise Fund are reported as a liability for Business-type Activity.

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

## 7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental and Business-type Activity:**Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities

The annual requirements to amortize all governmental and business-type long-term liabilities (excluding compensated absences, claims payable and capitalized lease) outstanding as of June 30, 2006, including interest payments are as follows:

Year Ending June 30,	Tax Allocation Bonds		
	Principal	Interest	Total
2007	\$ 4,030,000	\$ 1,717,968	\$ 5,747,968
2008	990,000	1,556,661	2,546,661
2009	980,000	1,506,048	2,486,048
2010	1,025,000	1,456,130	2,481,130
2011	1,075,000	1,403,778	2,478,778
2012-2016	6,220,000	6,138,635	12,358,635
2017-2021	7,885,000	4,388,844	12,273,844
2022-2026	10,005,000	2,168,855	12,173,855
2027-2031	4,715,000	117,611	4,832,611
	<u>\$ 36,925,000</u>	<u>\$ 20,454,530</u>	<u>\$ 57,379,530</u>

Year Ending June 30,	Certificates of Participation Governmental and Business-type Activity		
	Principal	Interest	Total
2007	\$ 840,000	\$ 544,970	\$ 1,384,970
2008	875,000	507,540	1,382,540
2009	920,000	468,365	1,388,365
2010	955,000	427,443	1,382,443
2011	1,000,000	384,775	1,384,775
2012-2016	3,450,000	1,345,184	4,795,184
2017-2021	3,615,000	718,916	4,333,916
2022-2026	1,250,000	95,812	1,345,812
	12,905,000	4,493,005	17,398,005
Less: deferred bond costs	(604,627)	-	(604,627)
	<u>\$ 12,300,373</u>	<u>\$ 4,493,005</u>	<u>\$ 16,793,378</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental and Business-type Activity (Continued):**

Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities  
(Continued)

<u>Year Ending June 30,</u>	<u>Note Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 300,000	\$ 90,000	\$ 390,000

<u>Year Ending June 30,</u>	<u>Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 281,878	\$ 148,914	\$ 430,792
2008	293,822	137,031	430,853
2009	305,871	124,639	430,510
2010	319,026	111,734	430,760
2011	332,292	98,267	430,559
2012-2016	781,604	340,123	1,121,727
2017-2021	572,697	227,381	800,078
2022-2026	407,592	141,042	548,634
2027-2031	484,560	62,720	547,280
2032-2036	107,382	1,890	109,272
	<u>\$ 3,886,724</u>	<u>\$ 1,393,741</u>	<u>\$ 5,280,465</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental and Business-type Activity (Continued):**

Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities  
(Continued)

Year Ending June 30,	Grand Totals		
	Principal	Interest	Total
2007	\$ 5,151,878	\$ 2,411,852	\$ 7,563,730
2008	2,158,822	2,201,232	4,360,054
2009	2,205,871	2,099,052	4,304,923
2010	2,299,026	1,995,307	4,294,333
2011	2,407,292	1,886,820	4,294,112
2012-2016	10,751,604	7,913,942	18,665,546
2017-2021	12,072,697	5,335,141	17,407,838
2022-2026	11,662,592	2,405,709	14,068,301
2027-2031	5,199,560	180,331	5,379,891
2032-2036	107,382	1,890	109,272
Less: deferred bond costs	(604,627)	-	(604,627)
	<u>\$ 53,412,097</u>	<u>\$ 26,431,276</u>	<u>\$ 79,843,373</u>

8. INTEREST RATE SWAP AGREEMENTS:

**Objective:**

As a means to lower borrowing costs when compared to fixed rate debt at the time of issuance, the City has entered into interest rate swap agreements in connection with its variable rate debt. The intention of the swaps was to artificially fix the City's variable interest rate on the bonds to a synthetic fixed rate. (See Note 7).

The City has entered into swap agreements related to the following Bonds/Certificates (Bonds):

Bond Issue	Date of Agreement	Synthetic Fixed Rate
\$40,250,000 1997 Tax Allocation Bonds (1997 Bonds)	December 17, 1997	4.870 %
\$13,600,000 Certificates of Participation, Series 1998A (1998A Certificates)	October 29, 1998	4.365 %
\$5,210,000 Certificates of Participation, Series 1998B (1998B Certificates)	October 29, 1998	4.365 %

See accompanying independent auditors' report.



# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

### 8. INTEREST RATE SWAP AGREEMENTS (CONTINUED):

#### Terms:

Under the terms of each swap, the City pays the swap provider, AMBAC Financial Services LLP, a fixed payment of the remaining notational amount times the fixed rate. AMBAC Financial Services LLP, a related Company to the Insurer of the Bonds, AMBAC Assurance Corporation pays interest on the Bonds to the trustee. The swaps were entered into the same time the Bonds were issued. The notional value of the swaps will decline annually until the Bonds are repaid.

The notional value and the period when the Bonds are due are as follows:

<u>Bond Issue</u>	<u>Notational Value</u>	<u>Final Payment Year</u>
1997 Bonds	\$ 33,730,000	2027
1998A Certificates	8,815,000	2021
1998B Certificates	4,090,000	2023

#### Fair Value:

As of June 30, 2006, the swap related to the 1997 Bonds had a negative fair value and the swaps related to the 1998A and 1998B Certificates had positive fair values. The negative fair value of the swap is practically offset by the reduction in total interest payments required under the variable rate bonds. Because the coupons on the variable rate bonds adjust weekly, the bonds do not have a corresponding fair value increase. The fair value was provided by the swap provider, AMBAC Financial Services LLP.

The positive/(negative) fair value related to each of the swaps as follows:

<u>Bond Issue</u>	<u>Positive/ (Negative) Fair Value June 30, 2006</u>
1997 Bonds	\$ (1,424,114)
1998A Certificates	111,491
1998B Certificates	71,353

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

8. INTEREST RATE SWAP AGREEMENTS (CONTINUED):

**Credit Risk:**

As of June 30, 2006, the City was not exposed to credit risk related to the negative fair value (1997 swap). If interest rates rise and the negative fair value (1997 swap) becomes positive, the City is exposed to credit risk in the amount of the fair value. The City is exposed to credit risk in the amount of the swaps positive fair value for the 1998A and 1998B swaps. The swap provider, AMBAC Financial Services LLP, was rated Aaa by Moodys Investor Service and AAA by Standard and Poors Rating Service as of June 30, 2006. To mitigate credit risk, the swap provides that if the bond insurer, AMBAC Assurance Corporation, rating is withdrawn, suspended or falls below AA- by Standard and Poors or Aa3 by Moodys, or the short term rating falls below A-1 or VMIG -1 the swap provider, AMBAC Financial Services LLP, will notify the City within 5 days of a Collateral Agent and the fair value of the swap will be fully collateralized by AMBAC Financial Services LLP with securities issued or guaranteed by the Federal Government, the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association.

**Basis Risk:**

The swaps expose the City to basis risk. Under the swap agreements AMBAC Financial Service LLP has the right to determine each calculation period if certain adverse events such as a bond rating downgrade, event of taxability, or an issuer downgrade have increased the interest rate on the variable rate bonds. If so, AMBAC Financial Services LLP has the right to recalculate an Alternative Floating Rate and collected from the City the difference between the Bond Market Association Floating Rate Index or BMI Rate and the average rate on the variable rate bonds during the calculation period.

**Termination Risk:**

Each swap agreement has standard termination events such as failure to pay and bankruptcy. In addition to optional termination by the City the swap agreements may also be terminated by the City if the bond insurance provider, AMBAC Assurance Corporations ratings are withdrawn, suspended or lowered below A- by Standard and Poors or A3 by Moodys. The City or swap provider may terminate the swap if the other party fails to perform under the terms of the Agreement. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at time of termination the swap has a negative fair value, the City would be liable to the swap provider, AMBAC Financial Services LLP for payment equal to the swaps fair value. If the City prepays the variable rate bonds, the City may still be liable to make payments under the swap agreement.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

9. ASSESSMENT DISTRICT BONDS:

In July 1992, the City issued \$400,373 Limited Obligation Improvement Bonds, on behalf of Assessment District No. 92-1. Proceeds of the bonds were used to finance the construction of streets, storm drains, and traffic improvements. The bonds are secured by the unpaid assessments, together with interest thereon, on parcels within the District. The City is in no way liable for repayment, but is only acting as an agent for the collection of principal and interest payments by property owners and remittance for such monies to the bondholders. At June 30, 2006, the unpaid obligation on the bonds was \$205,000 and cash and investments for bonds and interest coupons redemption of \$85,913 was held by the City and recorded on the 1915 Act Bonds Agency Fund.

10. PASS-THROUGH AGREEMENTS:

The Westminster Redevelopment Agency has entered into agreements with various governmental entities to "pass-through" portions of tax increments received to entities which are located within the Agency's project area. Tax incremental revenues passed through to other agencies during fiscal year 2006 totaled \$5,031,850 and pass-throughs due and payable totaled \$5,277,694 at year-end and are recorded in the Debt Service Fund.

11. PENSION PLAN:

**Plan Description:**

The City's defined benefit pension plans, the Miscellaneous and Safety Plans for the City of Westminster (Plans), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. As of July 1, 2005, the City was mandated by the State to participate in the risk pool for the Safety Plan. For the Safety Plan, the risk pool combines the assets and liabilities across employers of the risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. The Plans are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

11. PENSION PLAN (CONTINUED):

**Funding Policy:**

Participants are required to contribute 7%-9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution requirement for fiscal year 2006 was \$3,068,649 for miscellaneous employees and safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**Annual Pension Cost:**

For fiscal year 2006, the City's actual and contributed annual pension cost was \$3,068,649. The required contribution for the fiscal year 2006 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, (c) inflation of 3.00%, (d) payroll growth of 3.25%, and (e) an individual salary growth based on merit scale varying by duration of employment, coupled with an assumed annual inflation component of 3.00%, and an annual production growth of 0.25%.

The actuarial value of the Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year period. The Plans' initial unfunded liabilities are amortized over a closed period that depends on the Plans' date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the Plans' accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The remaining Plans' amortization period at June 30, 2006 was 32 years for the Miscellaneous Plan and 17 years for the Safety Plan.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

11. PENSION PLAN (CONTINUED):

**Three-Year Trend Information for the Miscellaneous and Safety Plans:**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Employees</u>			
6/30/04	\$ -	100%	\$ -
6/30/05	240,254	100%	-
6/30/06	619,926	100%	-
<u>Safety Employees</u>			
6/30/04	\$ 612,322	100%	\$ -
6/30/05	2,113,486	100%	-
6/30/06	2,451,723	100%	-

**Schedule of Funding Progress for PERS (\$ Amount in Thousands):**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]	
<u>Miscellaneous Employees</u>						
6/30/03	\$ 54,347	\$ 52,006	\$ (2,341)	104.5 %	\$ 9,330	(25.091) %
6/30/04	56,542	54,963	(1,579)	102.9 %	9,109	(17.335) %
6/30/05	60,033	58,551	(1,482)	102.5 %	8,936	(16.585) %
<u>Safety Employees *</u>						
6/30/03	\$ 3,577,742	\$ 4,270,574	\$ 692,832	83.8 %	\$ 476,090	145.525 %
6/30/04	4,424,587	5,383,922	959,335	82.2 %	575,296	166.755 %
6/30/05	5,295,150	6,367,049	1,071,899	83.2 %	664,148	161.395 %

\* - The amounts reported for the City's Safety plan are for the risk pool.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

11. PENSION PLAN (CONTINUED):

**Plan Description - Other Defined Contribution Pension Plans:**

Part-time, Seasonal and Temporary Employees-Alternate Retirement System Plan

Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by Social Security or an alternate plan. In accordance with this federal law, the City provides pension benefits for all part-time, seasonal and temporary employees through the City of Westminster Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6% by the employee and 1.5% by the City. All part-time, seasonal or temporary employees are immediately eligible to participate in the plan from the date of employment and all contributions are fully vested.

For the year ended June 30, 2006, the City's payroll covered by the plan was \$1,267,669. Contributions to the plan totaled \$95,075 with employee contributions in the amount of \$76,052 (6.0% of current covered payroll) and City contributions in the amount of \$19,023 (1.5% of current covered payroll).

Law Enforcement - Public Agency Retirement System Supplement

All full-time and permanent personnel represented by the Westminster Police Officers' Association are eligible to participate in the Public Agency Retirement System Supplement to the California Public Employees' Retirement System Plan. This supplemental plan is administered by PARS with Union Bank of California and operates in conjunction with the City's CalPERS pension plan. As a defined contribution plan, the City contributes on the employees behalf fifty dollars per month for each year of service with the Employer with a maximum benefit of \$1,250 per month. Employee service time vests immediately. The employees, however, must retire from the City of Westminster to receive the retirement benefit. City contributions are made monthly to PARS and participants fully vest in these benefits. For the year ended June 30, 2006, 27 law enforcement personnel participated in the plan and the City's total contribution to the plan was \$240,000.

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

#### 12. POSTRETIREMENT HEALTH CARE BENEFITS:

In addition to the pension benefits described in Note 11, the City provides postretirement health care benefits in accordance with memorandum of understanding agreements signed between the City and the various labor groups. Employees who retire from the City under the CalPERS retirement plan are eligible to have their medical, dental and life benefits continued in accordance with their eligibility level at retirement, subject to annual contribution caps of \$11,304 for all employees. The City's regular health care benefit providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, there were 217 retired employees receiving postretirement benefits. The City finances the plan on a pay-as-you-go basis. For the year ended June 30, 2006, the City recognized as incurred \$1,603,281 of expenditures, which was net of \$98,044 of retiree contributions.

#### 13. DEFERRED COMPENSATION:

Certain provisions of the Small Business Job Protection Act (the Act) effected Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets legally remain the assets of the sponsoring government. The Act requires that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

The City has implemented GASB 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The assets have been transferred into a trust, and are no longer subject to claims of the City's general creditors, and are no longer considered the assets of the City. The plan permits all City employees to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

The City contracts with private deferred compensation administration firms to act as an agent of the City to fulfill all the City's administrative responsibilities. The duties performed by this fiduciary on behalf of the City include assisting employees in the execution of investment transactions and providing summary and participant reporting of these investments.

Since the City has placed the assets into a trust and has little administrative involvement and does not perform the investing function for the plan, the assets have been removed from the City's financial statements.

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

#### 14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The City retains the risk of loss for general liability claims of up to \$350,000 per occurrence and workers compensation claims of up to \$275,000 per person per occurrence. The City has established the Risk Management and Compensation/Benefits Internal Service Funds to account for and finance these uninsured risks of loss, and liabilities are accrued when incurred, whether or not reported, in each of these Funds.

The City is also a member of the California Insurance Pool Authority (CIPA), a public entity risk pool consisting of 11 member cities in Orange County, California, which was established to pool resources, share risks, purchase excess insurance, and share costs for professional risk management and claims administration. Portions of general liability and workers compensation claims exceeding the above mentioned amounts are covered by CIPA up to a maximum \$5,000,000 per claim and \$20,000,000 annual aggregate amount for general liability claims. The coverage for workers' compensation extends to statutory limit. Member cities make payments to CIPA based on underwriting estimates and may be assessed the difference between funds available and the \$20,000,000 annual aggregate in proportion to their annual premiums. Additional coverage is maintained through a commercial insurer for claims in excess of the per claim units and the annual aggregate amounts.

The City continues to carry commercial insurance for all other risks of loss, including employee health, fire, water, boiler and machinery insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

All Funds of the City participate in the risk management program and make payments to the Risk Management and Compensation/Benefits Internal Service Funds based on estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. At June 30, 2006, the Risk Management Fund had accumulated fund equity of \$5,090,028. Also, at June 30, 2006, the Compensation/Benefits Fund had a reserve for catastrophic losses of \$4,556,778, which is reported as net assets in this fund. The claims liabilities of \$996,591 and \$1,378,520 reported in the Risk Management and Compensation/Benefits Internal Service Funds, respectively, at June 30, 2006 are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and amount of the loss can be reasonably estimated.

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

14. RISK MANAGEMENT (CONTINUED):

Changes in the Risk Management and Compensation/Benefits Internal Service Funds' claims liability amounts in fiscal years 2006 and 2005 were as follows:

	Risk Management Fund		Compensation/Benefits Fund	
	2006	2005	2006	2005
Beginning-year liability	\$ 609,300	\$ 502,547	\$ 1,808,616	\$ 1,921,162
Current-year claims and changes in estimates	501,004	232,784	123,320	721,816
Claim payments	(113,713)	(126,031)	(553,416)	(834,362)
Balance at fiscal year-end	<u>\$ 996,591</u>	<u>\$ 609,300</u>	<u>\$ 1,378,520</u>	<u>\$ 1,808,616</u>

15. RESERVES AND DESIGNATIONS OF FUND BALANCE:

Reserves segregate portions of fund balance that are not available spendable resources. The various reserves established as of June 30, 2006 were as follows:

	General	Community Promotion	Housing and Community Development	Special Gas Tax and Street Improvements	Debt Service	Capital Improvements	Redevelopment Projects	Other Govt Funds	Total Govt Funds
Reserves:									
Advances to other funds	\$ 1,096,136	\$ -	\$ -	\$ -	\$ 1,536,782	\$ 1,288,550	\$ -	\$ 850,000	\$ 4,771,468
Notes receivable	-	-	850,000	-	-	-	-	2,367,266	3,217,266
Low and moderate income housing	-	-	-	-	-	-	-	4,761,803	4,761,803
Debt service	-	243,054	-	341,582	12,148,904	-	-	1,582,036	14,315,576
Prepaid charges	3,079	29,250	-	-	-	-	-	1,250	33,579
Land held for resale	-	-	-	-	-	-	723,950	-	723,950
	<u>\$ 1,099,215</u>	<u>\$ 272,304</u>	<u>\$ 850,000</u>	<u>\$ 341,582</u>	<u>\$ 13,685,686</u>	<u>\$ 1,288,550</u>	<u>\$ 723,950</u>	<u>\$ 9,562,355</u>	<u>\$ 27,823,642</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

15. RESERVES AND DESIGNATIONS OF FUND BALANCE (CONTINUED):

	General	Capital Improvements	Redevelopment Projects	Total Governmental Funds
Designations:				
General contingencies	\$ 1,935,325	\$ -	\$ -	\$ 1,935,325
Emergency reserves	1,746,433	-	-	1,746,433
Capital projects	-	26,914,494	11,687,518	38,602,012
Debt service	-	-	2,568,753	2,568,753
	<u>\$ 3,681,758</u>	<u>\$ 26,914,494</u>	<u>\$ 14,256,271</u>	<u>\$ 44,852,523</u>

Reserved for Advances to Other Funds

These reserves represent the amounts that were advanced to other funds and are not anticipated to be repaid in the current year and are not considered as available resources.

Reserved for Notes Receivable

This reserve is provided to indicate that the amounts that are to be paid on the notes are not considered "available" to meet the expenditures of the current period.

Reserved for Low and Moderate Income Housing

This reserve is the unexpended 20% portion of the tax increment revenue received under the California Health and Safety Code which is required to be used for Low and Moderate Income Housing.

Reserved for Debt Service

These reserves are amounts accumulated by the City that are restricted to the payment of long-term debt principal and interest amounts that mature in future years.

Reserved for Prepaid Charges

This reserve represents contractual obligations for cash payments made before June 30, 2006, but will not be recognized as an expenditure until after July 1, 2006.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

15. RESERVES AND DESIGNATIONS OF FUND BALANCE (CONTINUED):

Reserved for Land Held for Resale

This reserve is provided to indicate that land held for resale is not "available" as a resource to meet the expenditures of the current period.

Designated for General Contingencies

These funds are designated for general contingencies of the City from the General Fund.

Designated for Emergency Reserves

These funds are designated as an emergency reserve of the City from the General Fund.

Designated for Capital Projects

These funds are designated to provide for future capital additions as determined by the City Council.

Designated for Debt Service

These funds are designated to provide for future debt payments as determined by the City Council.

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

The following Special Revenue Funds have deficit fund balances at June 30, 2006. These deficits are primarily the result of cash being transferred to the Capital Projects Funds prior to the funding of projects. As projects are completed and funded, revenues will be accrued in the various Special Revenue Funds.

Community Promotion	\$ 110,368
Special Gas Tax and Street Improvements	2,306,923
Other Governmental Funds - Park Dedication	1,085,407

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

17. COMMITMENTS AND CONTINGENCIES:

**Claims and Judgments:**

At June 30, 2006, the City was a defendant in a number of lawsuits arising in the ordinary course of operations which allege liability on the part of the City in connection with workers compensation and general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the City.

**Grant Contingencies:**

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**Debt Contingencies:**

The Agency has a contingent liability with regard to the \$6.1 million Westminster Redevelopment Agency Multi-Family Housing Revenue Bonds issue dated December 16, 1993. At June 30, 2006, \$5.4 million of the original amount of \$6.1 million in bonds was outstanding. The proceeds of the bonds were loaned by the Westminster Redevelopment Agency to Elderly Development Westminster (Developer) pursuant to a loan agreement between the Agency, Bank of America (Trustee) and the Developer. The agreement was entered into simultaneously with the bond issuance and requires payments sufficient to pay principal and interest consistent with the term bond maturity dates.

If certain conditions are met, such assistance is further limited to 75% of debt service for the first 12 consecutive months, 75% of debt service for the next 12 consecutive months and 50% of annual debt service thereafter. The bondholders have no other recourse against Agency funds and in no event is the Agency liable for amounts in excess of the annual debt service.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2006

17. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Debt Contingencies (Continued):**

Not included in the accompanying financial statements are Variable Rate Demand Multifamily Housing Revenue Bonds (Brookhurst Royale Senior Assisting Living Project) 2000 Series A and Subordinate Taxable Multifamily Housing Revenue Bonds (Brookhurst Royale Senior Assisted Living Project) 2000 Series A-S (collectively, the "Bonds"), conduit debt obligations issued under the name of the Redevelopment Agency. The Bonds were issued to finance the construction of a 117-unit residential care facility for the elderly. The Bonds are not secured by or payable from revenues or assets of the City or the Redevelopment Agency. Neither the faith and credit nor the taxing power of the City of Westminster, the Westminster Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal of and interest on the Bonds nor is the City or the Agency in any manner obligated to make appropriations for payment on these bonds. At June 30, 2006, the aggregate principal amount of Bonds outstanding totaled \$10,800,000.

18. RESTATEMENT OF NET ASSETS:

Net assets of the governmental activities were restated from \$172,915,724 to \$184,708,057, to include storm drain infrastructure which were not included in capital assets on the initial implementation of Governmental Accounting Standards Board Statement No. 34.

See accompanying independent auditors' report.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
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CITY OF WESTMINSTER  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 29,622,751	\$ 29,622,751	\$ 34,704,522	\$ 5,081,771
Licenses and permits	650,400	650,400	610,347	(40,053)
Fines	1,005,000	1,005,000	1,115,973	110,973
Investment and rental	895,869	895,869	1,068,221	172,352
Intergovernmental	94,453	94,453	390,917	296,464
Charges for services	5,715,716	5,766,716	5,907,603	140,887
Other	98,536	98,536	135,358	36,822
TOTAL REVENUES	38,082,725	38,133,725	43,932,941	5,799,216
EXPENDITURES:				
Current:				
General government	1,350,070	1,157,881	984,305	173,576
Public safety	32,141,316	31,719,326	30,565,763	1,153,563
Public works	3,639,293	3,592,388	3,185,114	407,274
Community development	2,648,876	2,788,100	2,499,281	288,819
Community services	1,770,714	1,816,818	1,712,464	104,354
Capital outlay	9,462	46,887	66,042	(19,155)
TOTAL EXPENDITURES	41,559,731	41,121,400	39,012,969	2,108,431
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,477,006)	(2,987,675)	4,919,972	7,907,647
OTHER FINANCING SOURCES (USES):				
Sale of equipment and property	4,000	4,000	3,390	(610)
Transfers in	2,088,597	2,112,597	2,094,712	(17,885)
Transfers out	(399,410)	(3,097,005)	(3,111,896)	(14,891)
TOTAL OTHER FINANCING SOURCES (USES)	1,693,187	(980,408)	(1,013,794)	(33,386)
NET CHANGE IN FUND BALANCE	(1,783,819)	(3,968,083)	3,906,178	7,874,261
FUND BALANCE - BEGINNING OF YEAR	22,013,470	22,013,470	22,013,470	-
FUND BALANCE - END OF YEAR	\$ 20,229,651	\$ 18,045,387	\$ 25,919,648	\$ 7,874,261

See accompanying independent auditors' report and note to required supplementary information.



## CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE  
COMMUNITY PROMOTION SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 350,000	\$ 350,000	\$ 341,501	\$ (8,499)
Investment and rental	53,989	53,989	127,061	73,072
Charges for services	-	-	847	847
Other	15,000	178,522	180,435	1,913
TOTAL REVENUES	418,989	582,511	649,844	67,333
EXPENDITURES:				
Current:				
Community development	208,422	210,922	160,712	50,210
Community services	32,000	32,000	32,244	(244)
Capital outlay	-	-	2,073	(2,073)
Debt service:				
Principal retirement	151,453	151,453	151,453	-
Interest and fiscal charges	91,601	91,601	91,601	-
TOTAL EXPENDITURES	483,476	485,976	438,083	47,893
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(64,487)	96,535	211,761	115,226
OTHER FINANCING SOURCES (USES):				
Transfers in	32,000	209,500	209,500	-
Transfers out	-	(338,522)	(338,522)	-
TOTAL OTHER FINANCING SOURCES (USES)	32,000	(129,022)	(129,022)	-
NET CHANGE IN FUND BALANCE	(32,487)	(32,487)	82,739	115,226
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(193,107)	(193,107)	(193,107)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (225,594)	\$ (225,594)	\$ (110,368)	\$ 115,226

See accompanying independent auditors' report and note to required supplementary information.

## CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE  
HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 4,696	\$ 4,696
Intergovernmental	1,988,294	1,988,294	2,424,528	436,234
Other	177,646	177,646	144,380	(33,266)
TOTAL REVENUES	2,165,940	2,165,940	2,573,604	407,664
EXPENDITURES:				
Current:				
Community development	1,205,894	2,196,776	1,590,881	605,895
Capital outlay	600	8,709	8,109	600
TOTAL EXPENDITURES	1,206,494	2,205,485	1,598,990	606,495
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	959,446	(39,545)	974,614	1,014,159
OTHER FINANCING SOURCES (USES):				
Transfers in	14,227	201,669	187,442	(14,227)
Transfers out	(973,673)	(918,285)	(884,058)	34,227
TOTAL OTHER FINANCING SOURCES (USES)	(959,446)	(716,616)	(696,616)	20,000
NET CHANGE IN FUND BALANCE	-	(756,161)	277,998	1,034,159
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(29,192)	(29,192)	(29,192)	-
FUND BALANCE - END OF YEAR	\$ (29,192)	\$ (785,353)	\$ 248,806	\$ 1,034,159

See accompanying independent auditors' report and note to required supplementary information.

## CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE  
SPECIAL GAS TAX AND STREET IMPROVEMENTS SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 6,080,156	\$ 5,500,156	\$ 2,764,584	\$ (2,735,572)
Investment and rental	80,495	80,495	145,530	65,035
Intergovernmental	2,052,362	2,052,362	295,840	(1,756,522)
Charges for services	50,000	50,000	156,440	106,440
Other	-	-	38,033	38,033
TOTAL REVENUES	8,263,013	7,683,013	3,400,427	(4,282,586)
EXPENDITURES:				
Current:				
Community development	2,263,017	2,231,734	1,809,060	422,674
Debt service:				
Principal retirement	212,848	212,848	212,848	-
Interest and fiscal charges	128,734	128,734	128,734	-
TOTAL EXPENDITURES	2,604,599	2,573,316	2,150,642	422,674
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,658,414	5,109,697	1,249,785	(3,859,912)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	580,000	580,000	-
Transfers out	(5,259,817)	(5,259,817)	(5,259,817)	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,259,817)	(4,679,817)	(4,679,817)	-
NET CHANGE IN FUND BALANCE	398,597	429,880	(3,430,032)	(3,859,912)
FUND BALANCE - BEGINNING OF YEAR	1,123,109	1,123,109	1,123,109	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,521,706	\$ 1,552,989	\$ (2,306,923)	\$ (3,859,912)

See accompanying independent auditors' report and note to required supplementary information.

## CITY OF WESTMINSTER

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

#### 1. BUDGETS AND BUDGETARY ACCOUNTING:

The City establishes accounting control through formal adoption of an annual operating budget for the General, Special Revenue and Debt Service Funds. The City Council's policy is to adopt a formal operating budget by June 30 of each year. The legal level of budgetary control, that is, the level at which expenditures cannot exceed appropriations, is the fund level for all General, Special Revenue and Debt Service Funds, and by project in the Capital Projects Funds.

The City Manager may authorize appropriation transfers within a single department, between capital projects with a single funding source, and between departments within the same fund. All increases at the overall fund level must be approved by the City Council. All budget appropriations, except capital project and grant funded budgets, lapse at the end of each fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All increases to the adopted budget require Council approval and must clearly state the amount of increase requested, as well as the availability of appropriate funding sources.

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**SUPPLEMENTARY SCHEDULES  
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## SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or City Council resolution to expenditure for specific purposes.

Parks Dedication Fund - accounts for payments assessed against new residential developments to support community parks. Amounts are required to be used for acquisition and improvement of City parks.

Special Police Services Fund - accounts for the regional and local narcotics suppression programs, Federal grants related to crime prevention and the Westminster Mall police patrol.

Municipal Lighting Fund - accounts for the City's share of property taxes collected under the Municipal Lighting District Act of 1919. Property taxes are collected by the County and paid to the City for operating and maintaining the municipal lighting district.

Other Grants Fund - accounts for all Federal, State, County or other grants received which are not otherwise separately accounted for in other funds. These grants include summer youth, air quality management, and Safety, Health and Understanding in Education (S.H.U.E.).

Offsite Drainage District Fund - accounts for revenues received from developers and expenditures to provide storm drain systems within each District.

Redevelopment Agency (RDA) Low and Moderate Income Housing Fund - accounts for the 20% set-aside property tax increment revenues and the associated expenditures to be used for increasing or improving low and moderate income housing, as required by section 33334.2 of the Health and Safety Code.

CITY OF WESTMINSTER  
COMBINING BALANCE SHEET  
OTHER NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2006

	Parks Dedication	Special Police Services	Municipal Lighting	Other Grants
<b>ASSETS</b>				
Cash and investments	\$ 23,593	\$ 483,854	\$ 513,390	\$ 190,718
Receivables, net of allowance:				
Taxes	-	-	31,168	-
Loans	-	-	-	-
Notes	-	-	-	-
Other	-	-	-	100
Due from other governments	-	65,177	-	68,153
Prepaid items	-	1,250	-	-
Restricted cash and investments	-	13,856	-	-
Advances to other funds	-	-	850,000	-
<b>TOTAL ASSETS</b>	<b>\$ 23,593</b>	<b>\$ 564,137</b>	<b>\$ 1,394,558</b>	<b>\$ 258,971</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and other liabilities	\$ -	\$ 9,071	\$ 44,177	\$ 23,377
Deposits	-	69,512	-	-
Deferred revenue	-	-	4,842	-
Due to other funds	1,109,000	-	-	41,500
<b>TOTAL LIABILITIES</b>	<b>1,109,000</b>	<b>78,583</b>	<b>49,019</b>	<b>64,877</b>
<b>FUND BALANCES (DEFICIT):</b>				
Reserved for:				
Notes receivable	-	-	-	-
Prepaid items	-	1,250	-	-
Advances to other funds	-	-	850,000	-
Debt service	-	162,036	-	-
Low and moderate income housing	-	-	-	-
Unreserved - undesignated	(1,085,407)	322,268	495,539	194,094
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>(1,085,407)</b>	<b>485,554</b>	<b>1,345,539</b>	<b>194,094</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,593</b>	<b>\$ 564,137</b>	<b>\$ 1,394,558</b>	<b>\$ 258,971</b>

See accompanying independent auditors' report.



Offsite Drainage District	RDA Low and Moderate Income Housing	Totals
\$ 88,711	\$ -	\$ 1,300,266
-	222,890	254,058
-	872,043	872,043
-	1,500,000	1,500,000
-	-	100
-	-	133,330
-	-	1,250
-	5,987,410	6,001,266
-	-	850,000
<u>\$ 88,711</u>	<u>\$ 8,582,343</u>	<u>\$ 10,912,313</u>
\$ -	\$ 11,631	\$ 88,256
-	-	69,512
-	4,618	9,460
-	17,025	1,167,525
<u>-</u>	<u>33,274</u>	<u>1,334,753</u>
-	2,367,266	2,367,266
-	-	1,250
-	-	850,000
-	1,420,000	1,582,036
-	4,761,803	4,761,803
88,711	-	15,205
<u>88,711</u>	<u>8,549,069</u>	<u>9,577,560</u>
<u>\$ 88,711</u>	<u>\$ 8,582,343</u>	<u>\$ 10,912,313</u>

## CITY OF WESTMINSTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER NONMAJOR SPECIAL REVENUE FUNDS

For the year ended June 30, 2006

	Parks Dedication	Special Police Services	Municipal Lighting	Other Grants
REVENUES:				
Taxes	\$ -	\$ -	\$ 833,763	\$ -
Investment and rental	32,839	27,767	16,907	8,749
Intergovernmental	-	245,113	-	450,444
Charges for services	29,398	131,827	-	-
Other	-	1,000	-	53,327
TOTAL REVENUES	62,237	405,707	850,670	512,520
EXPENDITURES:				
Current:				
General government	-	-	-	61,838
Public safety	-	605,475	-	-
Community development	3,112	-	609,469	184,643
Community services	-	-	-	227,834
Capital outlay	-	38,230	37,418	-
Debt service:				
Principal retirement	-	100,968	-	-
Interest and fiscal charges	-	62,995	-	-
TOTAL EXPENDITURES	3,112	807,668	646,887	474,315
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	59,125	(401,961)	203,783	38,205
OTHER FINANCING SOURCES (USES):				
Transfers in	175,000	275,430	-	-
Transfers out	(1,051,895)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(876,895)	275,430	-	-
NET CHANGE IN FUND BALANCES	(817,770)	(126,531)	203,783	38,205
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	(267,637)	612,085	1,141,756	155,889
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (1,085,407)	\$ 485,554	\$ 1,345,539	\$ 194,094

See accompanying independent auditors' report.

Offsite Drainage District	RDA Low and Moderate Income Housing	Totals
\$ -	\$ 5,487,553	\$ 6,321,316
2,664	442,685	531,611
-	-	695,557
4,619	-	165,844
-	7,135	61,462
<u>7,283</u>	<u>5,937,373</u>	<u>7,775,790</u>
-	-	61,838
-	-	605,475
365	356,676	1,154,265
-	-	227,834
-	570	76,218
-	-	100,968
-	-	62,995
<u>365</u>	<u>357,246</u>	<u>2,289,593</u>
<u>6,918</u>	<u>5,580,127</u>	<u>5,486,197</u>
-	350,000	800,430
-	(3,613,616)	(4,665,511)
<u>-</u>	<u>(3,263,616)</u>	<u>(3,865,081)</u>
6,918	2,316,511	1,621,116
<u>81,793</u>	<u>6,232,558</u>	<u>7,956,444</u>
<u>\$ 88,711</u>	<u>\$ 8,549,069</u>	<u>\$ 9,577,560</u>

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## PARKS DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 44,145	\$ 44,145	\$ 32,839	\$ (11,306)
Intergovernmental	636,895	636,895	-	(636,895)
Charges for services	-	-	29,398	29,398
TOTAL REVENUES	681,040	681,040	62,237	(618,803)
EXPENDITURES:				
Current:				
Community development	34,052	34,052	3,112	30,940
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	646,988	646,988	59,125	(587,863)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	175,000	175,000	-
Transfers out	(876,895)	(1,051,895)	(1,051,895)	-
TOTAL OTHER FINANCING SOURCES (USES)	(876,895)	(876,895)	(876,895)	-
NET CHANGE IN FUND BALANCE	(229,907)	(229,907)	(817,770)	(587,863)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(267,637)	(267,637)	(267,637)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (497,544)	\$ (497,544)	\$ (1,085,407)	\$ (587,863)

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## SPECIAL POLICE SERVICES SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 26,857	\$ 26,857	\$ 27,767	\$ 910
Intergovernmental	141,147	520,943	245,113	(275,830)
Charges for services	132,000	132,000	131,827	(173)
Other	-	-	1,000	1,000
TOTAL REVENUES	300,004	679,800	405,707	(274,093)
EXPENDITURES:				
Current:				
Public safety	513,341	854,014	605,475	248,539
Capital outlay	17,512	55,370	38,230	17,140
Debt service:				
Principal retirement	100,968	100,968	100,968	-
Interest and fiscal charges	61,067	61,067	62,995	(1,928)
TOTAL EXPENDITURES	692,888	1,071,419	807,668	263,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(392,884)	(391,619)	(401,961)	(10,342)
OTHER FINANCING SOURCES:				
Transfers in	287,410	275,430	275,430	-
NET CHANGE IN FUND BALANCE	(105,474)	(116,189)	(126,531)	(10,342)
FUND BALANCE - BEGINNING OF YEAR	612,085	612,085	612,085	-
FUND BALANCE - END OF YEAR	\$ 506,611	\$ 495,896	\$ 485,554	\$ (10,342)

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## MUNICIPAL LIGHTING SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 807,165	\$ 807,165	\$ 833,763	\$ 26,598
Investment and rental	20,108	20,108	16,907	(3,201)
TOTAL REVENUES	827,273	827,273	850,670	23,397
EXPENDITURES:				
Current:				
Community development	711,082	711,036	609,469	101,567
Capital outlay	-	37,418	37,418	-
TOTAL EXPENDITURES	711,082	748,454	646,887	101,567
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	116,191	78,819	203,783	124,964
FUND BALANCE - BEGINNING OF YEAR	1,141,756	1,141,756	1,141,756	-
FUND BALANCE - END OF YEAR	\$ 1,257,947	\$ 1,220,575	\$ 1,345,539	\$ 124,964

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## OTHER GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 5,907	\$ 5,907	\$ 8,749	\$ 2,842
Intergovernmental	494,479	544,053	450,444	(93,609)
Other	100,926	100,926	53,327	(47,599)
TOTAL REVENUES	601,312	650,886	512,520	(138,366)
EXPENDITURES:				
Current:				
General government	94,284	65,608	61,838	3,770
Community development	171,577	249,827	184,643	65,184
Community services	324,827	324,827	227,834	96,993
TOTAL EXPENDITURES	590,688	640,262	474,315	165,947
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,624	10,624	38,205	27,581
OTHER FINANCING SOURCES (USES):				
Transfers in	28,000	28,000	-	(28,000)
Transfers out	(28,000)	(28,000)	-	28,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	10,624	10,624	38,205	27,581
FUND BALANCE - BEGINNING OF YEAR	155,889	155,889	155,889	-
FUND BALANCE - END OF YEAR	\$ 166,513	\$ 166,513	\$ 194,094	\$ 27,581

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## OFFSITE DRAINAGE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 1,597	\$ 1,597	\$ 2,664	\$ 1,067
Charges for services	-	-	4,619	4,619
TOTAL REVENUES	1,597	1,597	7,283	5,686
EXPENDITURES:				
Current:				
Community development	80	330	365	(35)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,517	1,267	6,918	5,651
FUND BALANCE - BEGINNING OF YEAR	81,793	81,793	81,793	-
FUND BALANCE - END OF YEAR	\$ 83,310	\$ 83,060	\$ 88,711	\$ 5,651

See accompanying independent auditors' report.



## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## RDA LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,169,618	\$ 4,169,618	\$ 5,487,553	\$ 1,317,935
Investment and rental	49,309	49,309	442,685	393,376
Other	-	-	7,135	7,135
TOTAL REVENUES	4,218,927	4,218,927	5,937,373	1,718,446
EXPENDITURES:				
Current:				
Community development	322,674	367,491	356,676	10,815
Capital outlay	-	-	570	(570)
TOTAL EXPENDITURES	322,674	367,491	357,246	10,245
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,896,253	3,851,436	5,580,127	1,728,691
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	350,000	350,000
Transfers out	(3,562,335)	(3,562,335)	(3,613,616)	(51,281)
TOTAL OTHER FINANCING SOURCES (USES)	(3,562,335)	(3,562,335)	(3,263,616)	298,719
NET CHANGE IN FUND BALANCE	333,918	289,101	2,316,511	2,027,410
FUND BALANCE - BEGINNING OF YEAR	6,232,558	6,232,558	6,232,558	-
FUND BALANCE - END OF YEAR	\$ 6,566,476	\$ 6,521,659	\$ 8,549,069	\$ 2,027,410

See accompanying independent auditors' report.

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## DEBT SERVICE FUND

The Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 16,742,969	\$ 16,742,969	\$ 20,524,629	\$ 3,781,660
Investment and rental	135,776	135,776	449,338	313,562
TOTAL REVENUES	<u>16,878,745</u>	<u>16,878,745</u>	<u>20,973,967</u>	<u>4,095,222</u>
EXPENDITURES:				
Current:				
General government	4,840,937	5,156,937	6,106,317	(949,380)
Debt service:				
Principal retirement	3,880,000	3,880,000	3,880,000	-
Interest and fiscal charges	1,873,294	1,873,294	1,919,965	(46,671)
TOTAL EXPENDITURES	<u>10,594,231</u>	<u>10,910,231</u>	<u>11,906,282</u>	<u>(996,051)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,284,514</u>	<u>5,968,514</u>	<u>9,067,685</u>	<u>3,099,171</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	510,208	510,208	510,208	-
Transfers out	(6,420,000)	(6,420,000)	(6,420,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,909,792)</u>	<u>(5,909,792)</u>	<u>(5,909,792)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	374,722	58,722	3,157,893	3,099,171
FUND BALANCE - BEGINNING OF YEAR	<u>10,527,793</u>	<u>10,527,793</u>	<u>10,527,793</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,902,515</u>	<u>\$ 10,586,515</u>	<u>\$ 13,685,686</u>	<u>\$ 3,099,171</u>

See accompanying independent auditors' report.

## INTERNAL SERVICE FUNDS

Internal Service Funds finance and account for goods and services provided by one City department to other City departments, or to other governments, on a cost-reimbursement basis, including depreciation. The City used the following Internal Service Funds:

Risk Management Fund - accounts for the administration of the City's general liability insurance and for the payment of any related claims.

Compensation/Benefits Fund - finances and accounts for the City's group medical, vision and dental insurance, workers compensation insurance, unemployment insurance, employee life insurance and compensated absences.

Motor Pool/Equipment Fund - accounts for the maintenance and replacement of City-owned vehicles and equipment.

Facilities/Maintenance Fund - accounts for the City's buildings maintenance and utilities costs.

CITY OF WESTMINSTER  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

June 30, 2006

	ASSETS	Risk Management	Compensation/ Benefits
CURRENT ASSETS:			
Cash and investments		\$ 5,837,471	\$ 5,802,920
Accounts receivable		-	-
Other receivables		-	31,978
Prepaid items		-	-
Inventories		-	-
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		5,837,471	5,834,898
		<hr/>	<hr/>
RESTRICTED ASSETS:			
Cash and investments		669,373	1,889,934
		<hr/>	<hr/>
NONCURRENT ASSETS:			
Deferred bond charges		-	-
		<hr/>	<hr/>
CAPITAL ASSETS:			
Buildings		-	-
Improvements other than buildings		-	-
Vehicles		-	-
Machinery and equipment		-	-
Office furniture, computers and equipment		-	-
Leased property		-	-
Construction in progress		-	-
TOTAL CAPITAL ASSETS		<hr/>	<hr/>
Less accumulated depreciation		-	-
		<hr/>	<hr/>
NET CAPITAL ASSETS		-	-
		<hr/>	<hr/>
TOTAL ASSETS		6,506,844	7,724,832
		<hr/>	<hr/>

See accompanying independent auditors' report.

<u>Motor Pool/ Equipment</u>	<u>Facilities/ Maintenance</u>	<u>Totals</u>
\$ 2,850,881	\$ 264,800	\$ 14,756,072
51,495	-	51,495
-	-	31,978
1,072	-	1,072
39,748	-	39,748
<u>2,943,196</u>	<u>264,800</u>	<u>14,880,365</u>
<u>191,912</u>	<u>255,159</u>	<u>3,006,378</u>
<u>10,593</u>	<u>80,326</u>	<u>90,919</u>
-	4,166,795	4,166,795
-	12,500	12,500
2,460,548	-	2,460,548
192,526	20,575	213,101
911,807	338,471	1,250,278
695,070	-	695,070
451,135	-	451,135
<u>4,711,086</u>	<u>4,538,341</u>	<u>9,249,427</u>
<u>(2,368,530)</u>	<u>(804,336)</u>	<u>(3,172,866)</u>
<u>2,342,556</u>	<u>3,734,005</u>	<u>6,076,561</u>
<u>5,488,257</u>	<u>4,334,290</u>	<u>24,054,223</u>

(Continued)

CITY OF WESTMINSTER  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 (CONTINUED)

June 30, 2006

	<u>Risk Management</u>	<u>Compensation/ Benefits</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other liabilities	\$ 60,225	\$ 45,029
Advances from other funds	360,000	-
Claims payable	249,148	344,630
Compensated absences	-	1,500,274
Certificates of participation	-	-
	<u>669,373</u>	<u>1,889,933</u>
<b>LONG-TERM LIABILITIES:</b>		
Claims payable	747,443	1,033,890
Compensated absences	-	244,231
Certificates of participation	-	-
	<u>747,443</u>	<u>1,278,121</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>747,443</u>	<u>1,278,121</u>
<b>TOTAL LIABILITIES</b>	<u>1,416,816</u>	<u>3,168,054</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	-	-
Unrestricted	5,090,028	4,556,778
	<u>5,090,028</u>	<u>4,556,778</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,090,028</u>	<u>\$ 4,556,778</u>

See accompanying independent auditors' report.



<u>Motor Pool/ Equipment</u>	<u>Facilities/ Maintenance</u>	<u>Totals</u>
\$ 127,790	\$ 64,589	\$ 297,633
-	-	360,000
-	-	593,778
41,480	18,483	1,560,237
22,643	172,088	194,731
<u>191,913</u>	<u>255,160</u>	<u>3,006,379</u>
-	-	1,781,333
6,752	3,009	253,992
<u>273,730</u>	<u>1,815,595</u>	<u>2,089,325</u>
<u>280,482</u>	<u>1,818,604</u>	<u>4,124,650</u>
<u>472,395</u>	<u>2,073,764</u>	<u>7,131,029</u>
2,046,183	1,746,321	3,792,504
<u>2,969,679</u>	<u>514,205</u>	<u>13,130,690</u>
<u>\$ 5,015,862</u>	<u>\$ 2,260,526</u>	<u>\$ 16,923,194</u>

## CITY OF WESTMINSTER

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2006

	Risk Management	Compensation/ Benefits
OPERATING REVENUES:		
Charges for services	\$ 1,136,507	\$ 12,107,612
Other	375,557	137,704
TOTAL OPERATING REVENUES	1,512,064	12,245,316
OPERATING EXPENSES:		
Salaries	-	3,433,341
Maintenance and operations	428,796	1,243,350
Insurance premiums and legal fees	958,625	1,832,662
Claims and benefits	501,004	4,871,668
Depreciation and amortization	-	-
TOTAL OPERATING EXPENSES	1,888,425	11,381,021
OPERATING INCOME (LOSS)	(376,361)	864,295
NONOPERATING REVENUES (EXPENSES):		
Investment income	-	-
Interest and fiscal charges	-	(237)
Gain (loss) on sale of property and equipment	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(237)
NET INCOME (LOSS) BEFORE TRANSFERS	(376,361)	864,058
TRANSFERS:		
Transfers in	-	-
Transfers out	(22,890)	(1,500,000)
TOTAL TRANSFERS	(22,890)	(1,500,000)
CHANGE IN NET ASSETS	(399,251)	(635,942)
TOTAL NET ASSETS - BEGINNING OF YEAR	5,489,279	5,192,720
TOTAL NET ASSETS - END OF YEAR	\$ 5,090,028	\$ 4,556,778

See accompanying independent auditors' report.

<u>Motor Pool/ Equipment</u>	<u>Facilities/ Maintenance</u>	<u>Totals</u>
\$ 2,581,848	\$ 1,333,999	\$ 17,159,966
183,737	15,733	712,731
<u>2,765,585</u>	<u>1,349,732</u>	<u>17,872,697</u>
823,716	434,098	4,691,155
1,280,351	516,808	3,469,305
-	-	2,791,287
-	-	5,372,672
531,864	106,613	638,477
<u>2,635,931</u>	<u>1,057,519</u>	<u>16,962,896</u>
<u>129,654</u>	<u>292,213</u>	<u>909,801</u>
156,522	39,105	195,627
(14,404)	(129,916)	(144,557)
23,066	(354)	22,712
<u>165,184</u>	<u>(91,165)</u>	<u>73,782</u>
<u>294,838</u>	<u>201,048</u>	<u>983,583</u>
491,661	92,075	583,736
(491,110)	(79,075)	(2,093,075)
<u>551</u>	<u>13,000</u>	<u>(1,509,339)</u>
295,389	214,048	(525,756)
<u>4,720,473</u>	<u>2,046,478</u>	<u>17,448,950</u>
<u>\$ 5,015,862</u>	<u>\$ 2,260,526</u>	<u>\$ 16,923,194</u>

CITY OF WESTMINSTER  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2006

	<u>Risk Management</u>	<u>Compensation/ Benefits</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customer	\$ 1,517,191	\$ 12,252,905
Payment to suppliers	(1,493,605)	(8,379,210)
Payment to employees	-	(3,364,182)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>23,586</u>	<u>509,513</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash received from other funds	-	-
Cash paid to other funds	(22,890)	(1,500,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(22,890)</u>	<u>(1,500,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	-	-
Proceeds from sale of property	-	-
Principal payment on bonds	-	-
Interest and fiscal charges	-	(237)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(237)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	696	(990,724)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,506,148	8,683,578
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,506,844</u>	<u>\$ 7,692,854</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (376,361)	\$ 864,295
Depreciation and amortization	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	5,127	7,589
(Increase) decrease in prepaid charges	-	-
(Increase) decrease in inventories	-	-
Increase (decrease) in accounts payable and other liabilities	7,529	(1,434)
Increase (decrease) in claims payable	387,291	(430,096)
Increase (decrease) in compensated absences payable	-	69,159
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 23,586</u>	<u>\$ 509,513</u>

See accompanying independent auditors' report.

Motor Pool/ Equipment	Facilities/ Maintenance	Totals
\$ 2,717,815	\$ 1,349,732	\$ 17,837,643
(1,293,473)	(536,579)	(11,702,867)
(828,565)	(431,262)	(4,624,009)
<u>595,777</u>	<u>381,891</u>	<u>1,510,767</u>
514,551	92,075	606,626
(514,000)	(79,075)	(2,115,965)
<u>551</u>	<u>13,000</u>	<u>(1,509,339)</u>
(561,488)	(13,931)	(575,419)
23,066	-	23,066
(22,643)	(172,088)	(194,731)
(13,695)	(104,082)	(118,014)
<u>(574,760)</u>	<u>(290,101)</u>	<u>(865,098)</u>
156,522	39,105	195,627
178,090	143,895	(668,043)
<u>2,864,703</u>	<u>376,064</u>	<u>18,430,493</u>
<u>\$ 3,042,793</u>	<u>\$ 519,959</u>	<u>\$ 17,762,450</u>
\$ 129,654	\$ 292,213	\$ 909,801
531,864	106,613	638,477
(47,770)	-	(35,054)
(830)	-	(830)
(4,187)	-	(4,187)
(8,105)	(19,771)	(21,781)
-	-	(42,805)
(4,849)	2,836	67,146
<u>\$ 595,777</u>	<u>\$ 381,891</u>	<u>\$ 1,510,767</u>

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## AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals, principle organizations, other governments and/or funds.

1915 Acts Bonds Fund - accounts for the collection of assessments and debt repayments on the Limited Obligation Improvement Bonds issued to finance the costs of acquisition of streets, storm drains and traffic improvements in Assessment District No. 92-1.

## CITY OF WESTMINSTER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
1915 ACT BONDS AGENCY FUND

For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>ASSETS:</b>				
Restricted cash and investments	\$ 82,052	\$ 42,066	\$ 38,205	\$ 85,913
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,500	\$ -	\$ 1,500	\$ -
Due to bondholders	80,552	42,066	36,705	85,913
<b>TOTAL LIABILITIES</b>	<b>\$ 82,052</b>	<b>\$ 42,066</b>	<b>\$ 38,205</b>	<b>\$ 85,913</b>

See accompanying independent auditors' report.



**STATISTICAL SECTION  
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## DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2006

This part of the City of Westminster's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118 - 122
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	123 - 129
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130 - 136
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	137 - 138
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	139 - 141

## CITY OF WESTMINSTER

## NET ASSETS BY COMPONENT

Last Four Fiscal Years  
(accrual bases of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 66,448,133	\$ 66,853,270	\$ 69,841,696	\$ 89,013,498
Restricted	27,334,806	33,729,348	40,578,288	42,028,361
Unrestricted	54,208,320	55,943,554	62,495,740	65,750,751
Total governmental activities net assets:	<u>\$ 147,991,259</u>	<u>\$ 156,526,172</u>	<u>\$ 172,915,724</u>	<u>\$ 196,792,610</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 32,325,680	\$ 31,616,482	\$ 31,817,042	\$ 31,958,977
Restricted	357,139	355,111	361,722	367,947
Unrestricted	1,837,419	2,581,719	2,893,976	2,133,832
Total business-type activities net assets:	<u>\$ 34,520,238</u>	<u>\$ 34,553,312</u>	<u>\$ 35,072,740</u>	<u>\$ 34,460,756</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 98,773,813	\$ 98,469,752	\$ 101,658,738	\$ 120,972,475
Restricted	27,691,945	34,084,459	40,940,010	42,396,308
Unrestricted	56,045,739	58,525,273	65,389,716	67,884,583
Total primary government net assets:	<u>\$ 182,511,497</u>	<u>\$ 191,079,484</u>	<u>\$ 207,988,464</u>	<u>\$ 231,253,366</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.  
Information prior to implementation of GASB 34 is not available.

## CITY OF WESTMINSTER

CHANGES IN NET ASSETS  
EXPENSES AND PROGRAM REVENUESLast Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 4,392,839	\$ 6,433,847	\$ 6,015,172	\$ 6,228,357
Public safety	27,244,747	28,682,303	30,959,971	31,688,177
Public works	5,435,120	3,600,981	7,382,183	8,622,725
Community development	10,286,472	14,275,910	8,075,648	16,180,252
Community services	2,027,702	1,862,386	1,894,745	2,122,936
Interest on long-term debt	2,397,431	2,303,688	2,498,057	2,374,796
Total governmental activities expenses	<u>51,784,311</u>	<u>57,159,115</u>	<u>56,825,776</u>	<u>67,217,243</u>
Business-type activities:				
Water enterprise	<u>8,871,713</u>	<u>10,077,883</u>	<u>10,675,044</u>	<u>11,145,539</u>
Total business-type activities expenses	<u>8,871,713</u>	<u>10,077,883</u>	<u>10,675,044</u>	<u>11,145,539</u>
Total primary government expenses	<u>60,656,024</u>	<u>67,236,998</u>	<u>67,500,820</u>	<u>78,362,782</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	943,332	947,660	1,449,420	1,633,260
Public safety	3,875,111	3,662,085	3,931,255	3,305,174
Public works	776,134	1,148,568	871,794	837,055
Community development	1,889,925	2,031,913	2,020,380	1,954,382
Community services	239,607	255,160	271,867	294,745
Operating grants and contributions	7,556,590	5,958,376	5,564,678	6,705,228
Capital grants and contributions	<u>1,442,637</u>	<u>216,666</u>	<u>1,845,256</u>	<u>442,300</u>
Total governmental activities program revenues	<u>16,723,336</u>	<u>14,220,428</u>	<u>15,954,650</u>	<u>15,172,144</u>
Business-type activities:				
Charges for services:				
Water enterprise	<u>9,489,236</u>	<u>10,162,780</u>	<u>10,329,216</u>	<u>10,091,120</u>
Total business-type activities program revenues	<u>9,489,236</u>	<u>10,162,780</u>	<u>10,329,216</u>	<u>10,091,120</u>
Total primary government program revenues	<u>26,212,572</u>	<u>24,383,208</u>	<u>26,283,866</u>	<u>25,263,264</u>
Net revenues (expenses):				
Governmental activities	(35,060,975)	(42,938,687)	(40,871,126)	(52,045,099)
Business-type activities	<u>617,523</u>	<u>84,897</u>	<u>(345,828)</u>	<u>(1,054,419)</u>
Total net revenues (expenses)	<u>(34,443,452)</u>	<u>(42,853,790)</u>	<u>(41,216,954)</u>	<u>(53,099,518)</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.  
Information prior to implementation of GASB 34 is not available.

Source: City Finance Department

## CITY OF WESTMINSTER

CHANGES IN NET ASSETS  
GENERAL REVENUESLast Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Sales taxes	\$ 15,196,645	\$ 15,886,793	\$ 16,845,993	\$ 17,407,934
Property taxes, levied for general purposes	17,553,360	21,221,236	25,799,308	35,816,370
Utility users tax	4,548,381	4,750,700	5,013,869	5,203,530
Motor vehicle taxes	5,411,162	5,921,745	5,371,319	242,717
Other taxes	2,189,269	2,729,143	2,756,886	2,869,831
Unrestricted investment earnings	1,652,947	770,069	2,142,307	2,875,268
Miscellaneous	443,502	-	-	-
Transfers	523,987	193,914	(669,004)	(285,998)
Total governmental activities	<u>47,519,253</u>	<u>51,473,600</u>	<u>57,260,678</u>	<u>64,129,652</u>
Business-type activities:				
Unrestricted investment earnings	147,781	141,345	195,651	168,027
Miscellaneous	1,580,171	746	601	(11,590)
Transfers	(523,987)	(193,914)	669,004	285,998
Total business-type activities	<u>1,203,965</u>	<u>(51,823)</u>	<u>865,256</u>	<u>442,435</u>
Total primary government	<u>48,723,218</u>	<u>51,421,777</u>	<u>58,125,934</u>	<u>64,572,087</u>
Changes in net assets				
Governmental activities	12,458,278	8,534,913	16,389,552	12,084,553
Business-type activities	1,821,488	33,074	519,428	(611,984)
Total primary government	<u>\$ 14,279,766</u>	<u>\$ 8,567,987</u>	<u>\$ 16,908,980</u>	<u>\$ 11,472,569</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.  
Information prior to implementation of GASB 34 is not available.

## CITY OF WESTMINSTER

## FUND BALANCES OF GOVERNMENTAL FUNDS

Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 2,224,382	\$ 1,855,144	\$ 1,453,642	\$ 1,099,215
Unrestricted	10,226,553	13,946,853	20,559,828	24,820,433
Total general fund	<u>\$ 12,450,935</u>	<u>\$ 15,801,997</u>	<u>\$ 22,013,470</u>	<u>\$ 25,919,648</u>
 All other governmental funds:				
Reserved	\$ 16,115,399	\$ 18,041,121	\$ 21,234,149	\$ 26,724,427
Unreserved, reported in:				
Special revenue funds	1,150,142	808,575	163,573	(3,617,166)
Capital projects funds	41,298,187	48,434,181	49,860,609	46,964,508
Total all other governmental funds	<u>\$ 58,563,728</u>	<u>\$ 67,283,877</u>	<u>\$ 71,258,331</u>	<u>\$ 70,071,769</u>

The City of Westminster has elected to show only four years of data for this schedule.

## CITY OF WESTMINSTER

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 47,794,596	\$ 51,707,823	\$ 59,082,016	\$ 64,656,552
Licenses and permits	683,574	740,893	781,468	610,347
Fines	1,133,471	1,156,610	1,198,103	1,115,973
Investment and rental	2,142,508	1,168,895	2,583,482	3,323,952
Intergovernmental	5,390,846	2,673,376	3,995,166	4,010,412
Charges for services	6,048,718	5,530,755	5,981,705	6,230,734
Other	875,049	1,273,797	374,248	594,603
Total revenues	<u>64,068,762</u>	<u>64,252,149</u>	<u>73,996,188</u>	<u>80,542,573</u>
Expenditures				
Current:				
General government	4,402,404	4,869,899	6,143,610	7,152,460
Public safety	28,289,482	28,107,348	30,295,390	31,171,238
Public works	3,358,499	3,020,997	2,934,063	3,185,114
Community development	8,214,778	7,294,351	7,056,187	8,821,528
Community services	2,102,260	1,789,396	1,823,333	1,972,542
Capital outlay	5,680,079	10,126,674	12,022,185	20,198,242
Debt service:				
Principal retirement	1,528,873	1,602,971	4,617,646	4,345,269
Interest and fiscal charges	2,253,395	2,131,874	2,303,283	2,203,295
Note issuance cost	-	118,792	73,849	-
Total expenditures	<u>55,829,770</u>	<u>59,062,302</u>	<u>67,269,546</u>	<u>79,049,688</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,238,992</u>	<u>5,189,847</u>	<u>6,726,642</u>	<u>1,492,885</u>
Other financing sources (uses):				
Sale of equipment and property	8,133	557,727	3,295	3,390
Issuance of notes	-	6,200,000	3,100,000	-
Transfers in	26,033,282	24,021,375	20,305,765	25,103,940
Transfers out	<u>(25,968,650)</u>	<u>(23,897,738)</u>	<u>(19,949,775)</u>	<u>(23,880,599)</u>
Total other financing sources (uses)	<u>72,765</u>	<u>6,881,364</u>	<u>3,459,285</u>	<u>1,226,731</u>
Net change in fund balances	<u>\$ 8,311,757</u>	<u>\$ 12,071,211</u>	<u>\$ 10,185,927</u>	<u>\$ 2,719,616</u>
Debt service as a percentage of noncapital expenditures	7.5%	7.9%	12.7%	11.1%

The City of Westminster has elected to show only four years of data for this schedule.

Source: City Finance Department

## CITY OF WESTMINSTER

## DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years  
(rate per \$100 of taxable value)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Direct Rate:										
City basic rate	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340
Redevelopment agency	<u>0.10423</u>	<u>0.10273</u>	<u>0.11464</u>	<u>0.12983</u>	<u>0.13720</u>	<u>0.21929</u>	<u>0.26190</u>	<u>0.31095</u>	<u>0.35554</u>	<u>0.39537</u>
Total City Direct Rate	0.19763	0.19613	0.20804	0.22323	0.23060	0.31269	0.35530	0.40435	0.44894	0.48877
Overlapping Rates:										
Special Districts	0.05291	0.05291	0.05291	0.05291	0.05281	0.05171	0.05071	0.05011	0.04981	0.04921
County of Orange	0.15297	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285
School Districts	<u>0.70974</u>	<u>0.70974</u>	<u>0.70974</u>	<u>0.70974</u>	<u>0.70974</u>	<u>0.70974</u>	<u>0.70974</u>	<u>0.71025</u>	<u>0.76727</u>	<u>0.75058</u>
Total Direct Rate	<u>1.00902</u>	<u>1.00890</u>	<u>1.00890</u>	<u>1.00890</u>	<u>1.00880</u>	<u>1.00770</u>	<u>1.00670</u>	<u>1.00661</u>	<u>1.06333</u>	<u>1.04604</u>

## Notes:

In 1978 the voters of the State of California passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of voter approved bonds.



CITY OF WESTMINSTER  
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Retail Property Trust	\$ 103,464,211	1.67%	\$ -	0.00%
WRI Golden State LLC	61,380,980	0.99%	-	0.00%
Pan Pacific Retail Properties	33,598,284	0.54%	-	0.00%
CMF Inc.	29,800,000	0.48%	-	0.00%
Sears Roebuck & Company	28,841,397	0.46%	-	0.00%
Asian Garden Limited	24,503,846	0.40%	18,036,103	0.55%
Target Corporation	22,538,443	0.36%	-	0.00%
Delma Corporation	19,338,709	0.31%	14,228,010	0.43%
California Drive In Theatres/Wal Mart	15,576,807	0.25%	-	0.00%
Dayton Hudson Corporation	11,222,503	0.19%	8,580,000	0.26%
Corporate Property Investors	-	0.00%	98,068,971	2.99%
Westminster Center Associates	-	0.00%	54,550,180	1.66%
Misui SBD America Fund 88-Q	-	0.00%	19,554,828	0.60%
Mary Hatchell Trust	-	0.00%	10,004,800	0.30%
Russell Development	-	0.00%	9,351,595	0.28%
May Department Stores Company	-	0.00%	6,162,749	0.19%
Elderly Development	-	0.00%	6,048,839	0.18%
	<u>\$ 350,265,180</u>	<u>5.65%</u>	<u>\$ 244,586,075</u>	<u>7.44%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

CITY OF WESTMINSTER  
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 2,825,689	\$ 2,804,337	99.24%	\$ 53,353	\$ 2,857,690	101.13%
1998	3,074,095	3,028,518	98.52%	57,540	3,086,058	100.39%
1999	3,118,345	3,079,857	98.77%	86,722	3,166,579	101.55%
2000	3,276,654	3,306,660	100.92%	115,673	3,422,333	104.45%
2001	3,446,792	3,484,247	101.09%	122,916	3,607,163	104.65%
2002	3,278,382	3,289,060	100.33%	116,864	3,405,924	103.89%
2003	3,253,308	3,264,879	100.36%	125,173	3,390,052	104.20%
2004	3,250,303	3,258,761	100.26%	141,527	3,400,288	104.61%
2005	3,258,297	3,266,270	100.24%	218,569	3,484,839	106.95%
2006	3,206,864	3,209,909	100.09%	209,060	3,418,969	106.61%

Note:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

CITY OF WESTMINSTER

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE  
OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30	City			Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	
1997	\$ 2,816,175,480	\$ 97,387,867	\$ 82,088,541	\$ 2,831,474,806	\$ 798,619,980	\$ 145,594,085	\$ 1,272,600	\$ 942,941,465 0.19763%
1998	2,841,312,322	98,580,764	82,319,160	2,857,573,926	811,789,151	129,865,046	1,405,600	940,248,597 0.19613%
1999	2,917,710,904	100,152,445	82,233,394	2,935,629,955	869,279,169	133,685,550	1,986,600	1,000,978,119 0.20804%
2000	3,069,308,750	101,314,066	82,498,972	3,088,123,844	964,043,045	127,966,612	1,821,200	1,090,188,457 0.22323%
2001	3,704,775,410	160,313,311	82,180,106	3,782,908,615	1,031,874,369	133,775,239	3,502,800	1,162,146,808 0.23060%
2002	3,069,767,327	101,438,368	82,519,972	3,088,685,723	4,010,413,851	168,233,484	86,276,891	4,092,370,444 0.31269%
2003	3,070,142,985	101,438,368	82,526,972	3,089,054,381	4,269,675,287	170,143,081	86,374,184	4,353,444,184 0.35530%
2004	4,615,203,550	187,047,921	82,526,972	4,719,724,499	4,705,155,866	186,033,418	89,655,634	4,801,533,650 0.40435%
2005	3,070,142,985	101,438,368	82,526,972	3,089,054,381	4,976,039,997	212,157,032	89,002,400	5,099,194,629 0.44894%
2006	3,070,314,334	101,438,368	82,526,972	3,089,225,730	5,498,360,086	190,250,992	98,904,230	5,589,706,848 0.48877%

Notes:

Beginning with the fiscal year ended June 30, 2002, exemptions are netted directly against the individual property categories.

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Orange County Auditor-Controller

## CITY OF WESTMINSTER

## WATER CUSTOMERS

Current Year and Nine Years Ago

Water Customer	2006		1997	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
City of Westminster	\$ 139,782	1.46%	154,189	1.97%
Arnel Management	119,537	1.25%	190,897	2.44%
Westminster School District	89,833	0.94%	74,200	0.95%
Huntington Beach Union High School	-	0.00%	67,325	0.86%
Garden Grove Unified	48,521	0.51%	46,868	0.60%
Granite Park Lane	48,476	0.51%	-	0.00%
Tres Vidas Apartments	-	0.00%	42,916	0.55%
Pembroke Mgmt Inc	40,369	0.42%	66,244	0.85%
Asian Garden LTD	-	0.00%	45,782	0.59%
Mission del Amo Mobile Park	38,016	0.40%	-	0.00%
HMR Property Mgt Co	36,897	0.38%	44,947	0.58%
Prado Verde Estates	30,998	0.32%	-	0.00%
JMR Enterprises LTD	30,740	0.32%	40,461	0.52%
Birmingham Realty Services	30,002	0.31%	40,729	0.52%
Los Alisos	29,975	0.31%	51,900	0.66%
Total	<u>\$ 683,146</u>		<u>\$ 866,459</u>	

Source: City of Westminster

## CITY OF WESTMINSTER

## WATER RATES

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Monthly Base Rate</u>	<u>Rate per 1,000 Gallons</u>
1997	\$ -	\$ 1.41
1998	-	1.41
1999	-	1.47
2000	-	1.47
2001	-	1.52
2002	4.50	1.30
2003	4.05	1.20
2004	4.82	1.26
2005	4.82	1.26
2006	4.82	1.26

## Note:

Rates are based on 5/8" meter, which is the standard household meter size. The City charges an excess-use rate above normal demand.

CITY OF WESTMINSTER

WATER SOLD BY TYPE OF CUSTOMER

Last Ten Fiscal Years  
(in millions of gallons)

Fiscal Year Ended June 30	Type of Customer					Total
	Residential	Industrial	Commercial	Military	Government	
1997	\$ 5,475,613	\$ 86,716	\$ 1,597,384	\$ -	\$ 29,312	\$ 7,189,025
1998	5,484,779	86,243	1,397,007	-	45,794	7,013,823
1999	8,854,240	91,485	1,437,202	-	45,698	10,428,625
2000	6,958,326	110,044	1,626,670	-	53,702	8,748,742
2001	4,546,397	65,895	1,129,601	-	32,938	5,774,831
2002	2,929,686	37,867	614,889	-	81,852	3,664,294
2003	7,395,139	79,095	1,527,961	-	101,899	9,104,094
2004	7,411,563	91,508	1,444,947	-	183,526	9,131,544
2005	7,740,877	91,961	1,521,968	-	107,159	9,461,965
2006	8,338,946	103,672	1,661,118	-	118,161	10,221,897
Total direct rate per 1,000 gallons						- - - -

Source: City of Westminster

CITY OF WESTMINSTER  
RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capitalized Lease	
1997	\$ 40,975,800	\$ 9,289,200	\$ 2,895,000	\$ 34,940	\$ 53,194,940
1998	44,468,976	9,041,024	2,370,000	24,270	55,904,270
1999	43,271,725	13,111,522	2,085,000	69,823	58,538,070
2000	42,217,256	8,723,796	1,780,000	130,690	52,851,742
2001	41,110,408	11,580,579	1,460,000	92,034	54,243,021
2002	40,156,185	7,958,921	1,125,000	50,175	49,290,281
2003	36,385,000	10,319,635	770,000	18,062	47,492,697
2004	41,480,000	9,744,163	695,000	-	51,919,163
2005	40,805,000	9,133,691	300,000	-	50,238,691
2006	36,925,000	8,498,219	300,000	-	45,723,219

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Business-type Activities						
Certificates of Participation	Loans Payable	Total Business-type Activities	Total Primary Government	Percentage of Personal Income	Debt per Capita	
\$ 5,055,000	\$ -	\$ 5,055,000	\$ 58,249,940	6.96%	\$ 701	
4,965,000	-	4,965,000	60,869,270	6.72%	718	
5,152,950	-	5,152,950	63,691,020	6.61%	738	
4,510,747	-	4,510,747	57,362,489	5.41%	665	
4,406,815	857,906	5,264,721	59,507,742	5.46%	675	
4,297,883	2,866,358	7,164,241	56,454,522	5.05%	632	
4,183,950	4,566,670	8,750,620	56,243,317	4.81%	620	
4,065,018	4,417,041	8,482,059	60,401,222	4.84%	666	
3,936,086	4,157,757	8,093,843	58,332,534	n/a	632	
3,802,154	3,886,724	7,688,878	53,412,097	n/a	578	



## CITY OF WESTMINSTER

## RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
1997	\$ -	\$ -	\$ -	0.00%	\$ -
1998	-	-	-	0.00%	-
1999	-	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

## CITY OF WESTMINSTER

## DIRECT AND OVERLAPPING DEBT

June 30, 2006

City Assessed Valuation	\$ 3,171,752,702
Redevelopment Agency Incremental Valuation	2,417,823,943
Total Assessed Valuation	<u>\$ 5,589,576,645</u>

	Percentage Applicable (1)	Outstanding Debt 6/30/06	Estimated Share of Overlapping Debt
<u>Overlapping Debt Repaid with Property Taxes:</u>			
Orange County Teeter Plan Obligations	1.030%	\$ 123,725,000	\$ 1,274,368
Metropolitan Water District	0.216%	389,565,000	841,460
Coast Community College District	2.019%	16,670,000	336,567
Coast Community College District	4.430%	102,718,867	4,550,446
Huntington Beach Union High School District	8.191%	204,458,794	16,747,220
City of Westminster 1915 Act Bonds	100.000%	205,000	205,000
Total overlapping debt repaid with property taxes		<u>\$ 837,342,661</u>	<u>\$ 23,955,061</u>
<u>Overlapping Other Debt:</u>			
Orange County General Fund Obligations	1.030%	\$ 630,022,000	\$ 6,489,227
Orange County Pension Obligations	1.030%	99,716,298	1,027,078
Orange County Board of Education Certificates of Participation	1.030%	19,820,000	204,146
Orange County Transit Authority	1.030%	2,470,000	25,441
Orange County Sanitation District Certificates of Participation	1.447%	130,370,000	1,886,454
Municipal Water District of Orange County Water Facilities Corporation	1.219%	28,205,000	343,819
Coast Community College District Certificates of Participation	4.430%	6,695,000	296,589
Huntington Beach Union High School District Certificates of Participation	8.191%	17,000,000	1,392,470
Ocean View School District Certificates of Participation	3.480%	9,015,000	313,722
Westminster School District Certificates of Participation	50.700%	17,790,000	9,019,530
City of Westminster Certificates of Participation	100.000%	8,815,000	8,815,000
Total gross overlapping other debt		<u>\$ 969,918,298</u>	<u>29,813,476</u>
Less: Orange County Transit Authority (80% self-supporting)			20,353
MWDOC Water Facilities Corporation (100% self-supporting)			343,819
Total net overlapping other debt			<u>\$ 29,449,304</u>
City direct debt			<u>\$ 23,955,061</u>
Gross total direct and overlapping debt			<u>\$ 53,768,536</u>
Net total direct and overlapping debt			<u>\$ 53,404,365</u>

## Notes:

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics

## CITY OF WESTMINSTER

## LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	\$ 2,913,563,347	\$ 2,939,893,086	\$ 3,017,863,349	\$ 3,170,622,816
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 728,390,837	\$ 734,973,272	\$ 754,465,837	\$ 792,655,704
Debt limit percentage	15%	15%	15%	15%
Debt limit	109,258,626	110,245,991	113,169,876	118,898,356
Total net debt applicable to limitation	58,249,940	60,869,270	63,691,020	57,362,489
Legal debt margin	51,008,686	49,376,721	49,478,856	61,535,867
Total debt applicable to the limit as a percentage of debt limit	53.3%	55.2%	56.3%	48.2%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 3,947,268,827	\$ 2,307,051,267	\$ 3,171,581,353	\$ 3,171,581,353	\$ 3,171,581,353	\$ 3,171,752,702
25%	25%	25%	25%	25%	25%
\$ 986,817,207	\$ 576,762,817	\$ 792,895,338	\$ 792,895,338	\$ 792,895,338	\$ 792,938,176
15%	15%	15%	15%	15%	15%
148,022,581	86,514,423	118,934,301	118,934,301	118,934,301	118,940,726
59,507,742	56,454,522	56,243,317	60,401,222	58,332,534	53,412,097
88,514,839	30,059,901	62,690,984	58,533,079	60,601,767	65,528,629
40.2%	65.3%	47.3%	50.8%	49.0%	44.9%

CITY OF WESTMINSTER  
PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 9,572,030	\$ 7,454,721	\$ 2,117,309	\$ 85,000	\$ 286,108	5.71
1998	9,127,647	7,539,724	1,587,923	90,000	282,495	4.26
1999	9,186,032	7,833,088	1,352,944	200,000	243,266	3.05
2000	9,824,626	8,173,589	1,651,037	115,000	216,177	4.99
2001	9,619,952	7,865,648	1,754,304	120,000	211,048	5.30
2002	9,634,056	7,388,576	2,245,480	125,000	205,701	6.79
2003	9,637,017	7,384,480	2,252,537	130,000	200,135	6.82
2004	10,304,125	8,375,396	1,928,729	135,000	194,352	5.86
2005	10,524,867	9,035,378	1,489,489	145,000	188,241	4.47
2006	10,259,147	9,237,504	1,021,643	150,000	181,802	3.08

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
Operating expenses do not include interest or depreciation expenses.

CITY OF WESTMINSTER  
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (1)	Personal Income (in thousands)(2)*	Per Capita Personal Income (2) *	Unemployment Rate (3)
1997	83,141	\$ 83,635,392	30,870	6.20%
1998	84,835	90,579,927	32,663	5.80%
1999	86,248	96,288,099	34,194	5.10%
2000	87,637	106,003,904	37,103	5.10%
2001	89,927	109,010,278	37,651	5.20%
2002	89,683	111,750,294	38,169	6.70%
2003	90,643	116,997,802	39,536	6.90%
2004	91,464	124,853,736	41,868	6.30%
2005	92,270	n/a	n/a	5.00%
2006	92,408	n/a	n/a	4.70%

Sources:

(1) State Department of Finance

\* (2) BEA - Bureau of Economic Analysis (Orange County)

(3) U.S. Dept of Labor, Bureau of Labor & Statistics

## CITY OF WESTMINSTER

## PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2006		1997	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Southern California Edison	413	0.94%	1997 Data not available	
Kindred Hospital Westminster	410	0.93%		
City of Westminster	300	0.68%		
Sears Roebuck & Co	300	0.68%		
Wal-Mart	300	0.68%		
Westminster High School	250	0.57%		
J C Penney Co	235	0.54%		
Target	210	0.48%		
Lexus of Westminster	175	0.40%		
Honda World	160	0.36%		
ABC Supermarket	150	0.34%		
Albertsons	150	0.34%		
Anthony Elementary School	150	0.34%		
Lowe's	150	0.34%		
Pavilions	150	0.34%		
Sunset Ford	150	0.34%		
Westminster Memorial Park	150	0.34%		

"Total Employment" as used above represents the total employment of all employers located within City limits.

Sources: Inside Prospects, Inc.

California Employment Development Department

CITY OF WESTMINSTER  
FULL-TIME AND PART-TIME CITY EMPLOYEES  
BY FUNCTION

Last Seven Fiscal Years

Function	Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
General government	56	70	74	76	57	57	47
Public safety	177	176	179	178	171	174	169
Public works	39	39	39	36	33	36	35
Community development	46	42	45	58	55	39	50
Community service	52	86	64	41	63	64	64
Water	<u>41</u>	<u>42</u>	<u>32</u>	<u>29</u>	<u>28</u>	<u>30</u>	<u>28</u>
Total	<u>411</u>	<u>455</u>	<u>433</u>	<u>418</u>	<u>407</u>	<u>400</u>	<u>393</u>

The City has elected to show only seven years of data for this schedule.



## CITY OF WESTMINSTER

OPERATING INDICATORS  
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Arrests	3,615	4,635	2,767	3,153	3,062	2,517	2,384	2,384	2,384	n/a
Traffic violations	16,125	10,862	9,070	9,826	9,826	11,368	14,102	10,863	10,863	n/a
Parking violations	21,122	7,834	14,854	14,293	17,776	16,190	17,608	18,321	18,321	n/a
Fire:										
Number of calls answered	5,212	5,090	5,166	5,324	5,410	5,498	5,674	5,729	5,898	n/a
Inspections conducted	-	2,508	2,540	2,558	2,646	2,759	1,149	1,382	1,552	*1,263
Public works:										
Street resurfacing (miles)	9.00	17.50	6.50	29.67	12.25	6.84	9.03	17.86	11.73	7.00
Parks and recreation: **										
Number of recreation classes	n/a	n/a	n/a	560	560	554	707	602	673	988
Number of facility rentals	n/a	n/a	n/a	67	61	68	53	80	76	84
Water:										
New connections	178	307	32	120	135	295	353	410	284	56
Average daily consumption (in hundred cubic feet)	17,667	16,424	20,051	17,332	11,048	6,333	16,188	16,120	15,576	15,176

\* As of 11/2/06

\*\*Retention program requires only 4 years of documents

CITY OF WESTMINSTER  
CAPITAL ASSET STATISTICS  
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Street (miles)	190	188	188	161	161	161	171	171	171	171
Streetlights	5,100	6,300	6,300	4,700	4,700	4,700	4,700	4,687	4,687	4,687
Traffic signals	61	61	61	61	61	61	61	62	63	64
Parks and recreation:										
Parks	22	22	23	23	24	24	25	25	25	25
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	275	275	275	157	157	157	157	157	157	157
Maximum daily capacity (in acre per feet per day)	63	63	70	68	67	67	81	60	60	60

Source: City of Westminster

